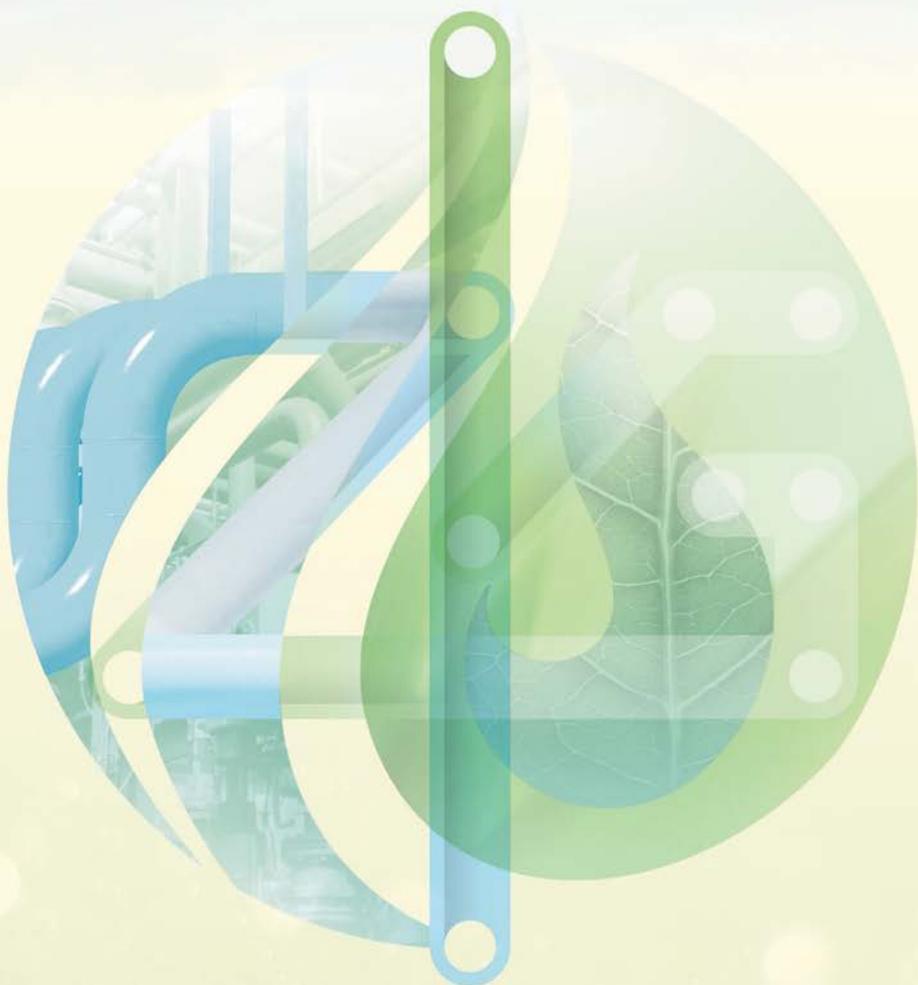




Zhonghua Gas Holdings Limited
中華燃氣控股有限公司

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

2021 Third Quarterly Report
二零二一年第三季度報告



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

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This report, for which the directors (the “Directors”) of Zhonghua Gas Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the 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. Wong Lok Man

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 nine months ended 30 September 2021 (the “Current Period”), together with the unaudited comparative figures for the nine months ended 30 September 2020 (the “Corresponding Period”) as follows:

Financial Highlights

	For the three months ended					For the nine months ended				Increase
	30.9.2021		30.9.2020		Increase/(decrease)	30.9.2021		30.9.2020		
	RMB'000	HK\$'000*	RMB'000	HK\$'000*		RMB'000	HK\$'000*	RMB'000	HK\$'000*	
Revenue	81,602	97,955	10,795	12,285	655.9%	298,439	358,246	79,557	90,536	275.1%
Gross loss [†]	(1,519)	(1,823)	(2,178)	(2,479)	(30.3%)	(5,443)	(6,534)	(1,992)	(2,267)	173.2%
Loss and total comprehensive income for the period	(22,735)	(27,291)	(18,539)	(21,097)	22.6%	(146,307)	(175,627)	(38,812)	(44,168)	277.0%
Loss and total comprehensive income attributable to owners of the Company	(20,933)	(25,128)	(16,824)	(19,146)	24.4%	(130,829)	(157,047)	(36,238)	(41,237)	261.0%
Loss before tax	(22,438)	(26,935)	(23,757)	(27,035)	(5.6%)	(151,314)	(181,637)	(44,702)	(50,871)	238.5%
Loss before tax and depreciation	(18,420)	(22,111)	(20,684)	(23,538)	(10.9%)	(140,052)	(168,118)	(35,451)	(40,343)	295.1%
Loss per share										
Basic and diluted	RMB(0.006)	HK\$(0.007)	RMB(0.005)	HK\$(0.006)	20.0%	RMB(0.036)	HK\$(0.043)	RMB(0.010)	HK\$(0.011)	260.0%
Dividend	Nil	Nil	Nil	Nil	N/A	Nil	Nil	Nil	Nil	N/A

Key Financial Indicators	For the three months ended		For the nine months ended	
	30.9.2021	30.9.2020	30.9.2021	30.9.2020
Gross loss margin [†]	(1.9%)	(20.2%)	(1.8%)	(2.5%)
Net loss margin [‡]	(27.9%)	(171.7%)	(49.0%)	(48.8%)

Notes:

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

* Converted to HK\$ at exchange rate of RMB1 = HK\$1.2004 on 30 September 2021 for reference

† Converted to HK\$ at exchange rate of RMB1 = HK\$1.1380 on 30 September 2020 for reference

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the three months and nine months ended 30 September 2021

	Notes	Three months ended		Nine months ended	
		30.9.2021 RMB'000 (unaudited)	30.9.2020 RMB'000 (unaudited)	30.9.2021 RMB'000 (unaudited)	30.9.2020 RMB'000 (unaudited)
Revenue	3	81,602	10,795	298,439	79,557
Cost of sales		(83,121)	(12,973)	(303,882)	(81,549)
Gross loss		(1,519)	(2,178)	(5,443)	(1,992)
Other income	3	49	216	5,777	11,527
Other gains/(losses)	4	(2,812)	(157)	6,011	(133)
Allowance for impairment of trade receivables	5	(12,131)	(17,300)	(139,035)	(36,680)
Administrative expenses		(5,936)	(4,313)	(18,388)	(17,335)
Loss from operations		(22,349)	(23,732)	(151,078)	(44,613)
Finance costs		(89)	(25)	(236)	(89)
Loss before tax		(22,438)	(23,757)	(151,314)	(44,702)
Income tax credit	6	(297)	5,218	5,007	5,890
Loss and total comprehensive income for the period	7	(22,735)	(18,539)	(146,307)	(38,812)
Attributable to:					
Owners of the Company		(20,933)	(16,824)	(130,829)	(36,236)
Non-controlling interests		(1,802)	(1,715)	(15,478)	(2,576)
		(22,735)	(18,539)	(146,307)	(38,812)
Loss per share attributable to owners of the Company	8				
Basic		RMB(0.006)	RMB(0.005)	RMB(0.036)	RMB(0.010)
Diluted		RMB(0.006)	RMB(0.005)	RMB(0.036)	RMB(0.010)

Condensed Consolidated Statement of Changes in Equity

For the nine months ended 30 September 2021

	Attributable to owners of the Company						Non-controlling interests	Total equity
	Share capital	Share premium	Share option reserve	Special reserve	Retained profits	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
At 1 January 2020 (audited)	3,635	38,232	25,193	528	354,504	422,092	64,370	486,462
Total comprehensive income 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
Changes in equity for the period	43	13,656	(2,149)	—	(36,236)	(24,686)	(2,576)	(27,262)
At 30 September 2020 (unaudited)	3,678	51,888	23,044	528	318,268	397,406	61,794	459,200
At 1 January 2021 (audited)	3,678	50,935	23,998	—	224,015	302,626	51,923	354,549
Total comprehensive income for the period	—	—	—	—	(130,829)	(130,829)	(15,478)	(146,307)
Changes in equity for the period	—	—	—	—	(130,829)	(130,829)	(15,478)	(146,307)
At 30 September 2021 (unaudited)	3,678	50,935	23,998	—	93,186	171,797	36,445	208,242

Notes to the Condensed Consolidated Financial Statements

For the nine months ended 30 September 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 (Laws 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 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 of the Company in Hong Kong is 23/F, Chinachem Century Tower, 178 Gloucester Road, Wanchai, Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the “Group”) is principally 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 unaudited condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 (“IAS 34”), “Interim Financial Reporting” issued by the International Accounting Standards Board (the “IASB”) and the applicable disclosure provisions 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 IASB that are adopted for the first time for the Current Period’s financial statements. The adoption of such new and revised IFRSs does not have material impact on the consolidated financial statements and does not result in substantial changes to the Group’s accounting policies.

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

The third quarterly condensed consolidated financial statements are presented in Renminbi (“RMB”), which is also the functional currency of the Group.

3. REVENUE AND OTHER INCOME

	Three months ended		Nine months ended	
	30.9.2021	30.9.2020	30.9.2021	30.9.2020
	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue				
New Energy Business				
– Trading of LNG	81,480	10,672	298,073	79,182
Property Investments	122	123	366	375
	81,602	10,795	298,439	79,557
Other income				
Rental and operation				
management service income	–	–	5,367	5,486
Government subsidies (note)	–	279	51	5,981
Interest income on bank deposits	28	9	100	23
Others	21	(72)	259	37
	49	216	5,777	11,527

Note: For the nine months ended 30 September 2021, the Group received subsidies of RMB51,000 (for the nine months ended 30 September 2020: RMB5,561,000) from the PRC's local 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.

For the nine months ended 30 September 2020, the Group also received subsidies of RMB420,000 related to Employment Support Scheme from the Government of Hong Kong Special Administrative Region which was a time-limited compensation for expenses incurred without unfulfilled conditions during the economic instability under pandemic of novel coronavirus.

4. OTHER GAINS/(LOSSES)

	Three months ended		Nine months ended	
	30.9.2021	30.9.2020	30.9.2021	30.9.2020
	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Net foreign exchange loss	(25)	(157)	(43)	(133)
Fair value gains of convertible				
bonds (note10)	(2,932)	–	5,909	–
Others	145	–	145	–
	(2,812)	(157)	6,011	(133)

5. ALLOWANCE FOR IMPAIRMENT OF TRADE RECEIVABLES

	Three months ended		Nine months ended	
	30.9.2021	30.9.2020	30.9.2021	30.9.2020
	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Allowance for impairment of trade receivable	12,131	17,300	139,035	36,680

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 2021 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2020.

6. INCOME TAX CREDIT

Income tax has been recognised in profit or loss as follows:

	Three months ended		Nine months ended	
	30.9.2021	30.9.2020	30.9.2021	30.9.2020
	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Current tax				
Provision for the period				
– the PRC	(2)	893	(2)	(2,145)
Over-/(under-)provision in prior periods	1	—	1,307	(5)
	(1)	893	1,305	(2,150)
Deferred tax	(296)	4,325	3,702	8,040
	(297)	5,218	5,007	5,890

No provision for Hong Kong Profits Tax was required since the Group had no assessable profits for the nine months ended 30 September 2021 and 2020.

No provision for PRC Corporate Income Tax was required since the Group had no assessable profits for the nine months ended 30 September 2021 and 2020. PRC Corporate Income Tax has been provided at a rate 25% for the nine months ended 30 September 2021 and 2020, 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%.

Tax charged on profits assessable elsewhere has been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

7. LOSS FOR THE PERIOD

The Group's loss for the period is stated after charging:

	Three months ended		Nine months ended	
	30.9.2021 RMB'000 (unaudited)	30.9.2020 RMB'000 (unaudited)	30.9.2021 RMB'000 (unaudited)	30.9.2020 RMB'000 (unaudited)
Directors' and chief executive's emoluments	971	1,097	2,915	3,855
Salaries and other allowances, excluding those of Directors	1,655	1,494	5,403	5,542
Retirement benefit scheme contributions, excluding those of Directors	287	136	864	450
Equity-settled share-based payments, excluding those of Directors	—	—	—	1,290
Total staff cost	2,913	2,727	9,182	11,137
Auditors' remuneration	13	—	222	184
Depreciation of property, plant and equipment	3,224	2,673	8,836	8,030
Less: included in cost of sales	(2,583)	(2,583)	(7,749)	(7,749)
	641	90	1,087	281
Depreciation of right-of-use assets	794	400	2,426	1,221
Cost of inventories recognise as an expense	80,538	10,390	296,133	73,800

9. DIVIDENDS

The Board of Directors does not recommend the payment of any dividend in respect of the nine months ended 30 September 2021 and 2020.

10. CONVERTIBLE BONDS

On 16 November 2020, the Group issued convertible bonds with a principal amount of HK\$97,800,000, 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 30 September 2021 and 31 December 2020 using Binomial model.

The movement of the convertible bonds is as follows:

	RMB'000
At 16 November 2020 (date of issuance) (audited)	83,000
Fair value losses	14,166
Exchange difference	(746)
<hr/>	
At 31 December 2020 (audited) and 1 January 2021 (audited)	96,420
Payment of interest	(3,259)
Fair value gains (note 4)	(5,909)
Exchange difference	(841)
<hr/>	
At 30 September 2021 (unaudited)	86,411

11. RESERVES

Movements in the reserves of the Group during the nine months ended 30 September 2021 and 2020 are set out in the condensed consolidated statement of the changes in equity on page 5.

12. RELATED PARTY TRANSACTIONS

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

	Three months ended		Nine months ended	
	30.9.2021 RMB'000 (unaudited)	30.9.2020 RMB'000 (unaudited)	30.9.2021 RMB'000 (unaudited)	30.9.2020 RMB'000 (unaudited)
Directors' fee	293	308	872	945
Salaries and other allowances	648	942	1,950	3,528
Retirement benefit scheme contributions	30	40	93	166
Equity-settled share-based payments	—	—	—	544
	971	1,290	2,915	5,183

Management Discussion and Analysis

BUSINESS REVIEW

For the nine months ended 30 September 2021 (the “Current Period”), the Group’s total revenue increased by 275.1% to approximately RMB298.4 million as compared to the period for the nine months ended 30 September 2020 (the “Corresponding Period”) and the set up of the new LNG trading operation in Shanghai during the third quarter of 2020 started to make contribution to the top line. The New Energy Business contributed over 99% to the Group’s total revenue.

A net loss after tax of approximately RMB146.3 million was recorded as compared to a net loss after tax of approximately RMB38.8 million for the Corresponding Period, mainly caused by (i) allowance for impairment of trade receivables of approximately RMB139.0 million for the Current Period (Corresponding Period: approximately RMB36.7 million); (ii) increase of gross loss from approximately RMB2.0 million for the Corresponding Period to approximately RMB5.4 million for the Current Period due to intense keen LNG price competition and fluctuation. Loss to the owner of the Company for the Current Period amounted to approximately RMB130.8 million as compared to loss to the owner of the Company of approximately RMB36.2 million for the Corresponding Period.

During the Current Period, the overall business was not immune to the devastating effects brought by the COVID-19 pandemic and the overall market is still full of uncertainties. Yet, the Group had managed to arrange a limited number of client meetings and conduct marketing activities as scheduled to nurture new business opportunities even a certain degree of precautionary measures remained in force.

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. The Group anticipates that the vision of expanding the business scopes would minimise the impact of market uncertainties. During the Current Period, the primary source of revenue from the New Energy Business was contributed by the LNG supply, from Tianjin and Shanghai business engine, where a new LNG supply location has been set up during the third quarter of 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 70% of revenue in the third quarter of 2021. The LNG price competition remained fierce and eroded the overall gross profit margin of the LNG supply business. While the market condition 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 tends to be saturated and the Group anticipated that future new project will continue to decrease.

In September 2021, the Group’s wholly-owned subsidiary signs a strategic cooperation agreement with a wholly-owned subsidiary of a top Fortune Global 500 company, namely, Jiangsu Shagang Group Co., Ltd., which aims to create synergy effect in areas of LNG refueling stations and pipeline gas supply. The move fosters strategic alliances for building a long-term cooperation to embrace potential opportunities ahead brought by new energy growth in future.

The Group continued to maintain strategic partnerships with Tractebel Engineering S.A. from France and several other vital partners in hope to explore new business opportunities with potential clients.

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 on medium term lease and generated long-term stable rental income for the Group.

FINANCIAL REVIEW

Revenue

For the Current Period, revenue of the Group amounted to approximately RMB298.4 million, representing an increase of 275.1% from approximately RMB79.6 million for the Corresponding Period. The increase was mainly attributable to the increase in revenue of approximately RMB218.9 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 New Energy Business amounted to approximately RMB303.9 million (Corresponding Period: approximately RMB81.5 million). The increase was mainly attributable to the increase in cost from New Energy Business with a new LNG supply location in Shanghai during the third quarter of 2020.

Gross Loss Margin

Gross loss represents revenue less cost of sales. Gross margin of the New Energy Business segment decreased from gross loss margin of 3.0% for the Corresponding Period to gross loss margin of 1.9% for the Current Period. 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 Investments segment was 100% (Corresponding Period: 100%).

Other Gains/(Losses)

Other gains of approximately RMB6.0 million were recorded in the Current Period as compared to other losses of approximately RMB0.1 million in the Corresponding Period, mainly due to the fair value gains of Convertible Bonds of approximately RMB5.9 million recognised in the Current Period.

Administrative Expenses

Administrative expenses increased by 6.1% from approximately RMB17.3 million for the Corresponding Period to approximately RMB18.4 million for the Current Period. The increase was mainly due to the depreciation of newly acquired motor vehicles.

Income Tax Credit

Income tax credit was recorded approximately RMB5.0 million (Corresponding Period: approximately RMB5.9 million). It was derived from the effect of deferred tax asset provided on the allowance for impairment of trade receivables and over-provision of PRC income tax in prior periods.

Loss and Total Comprehensive Income Attributable to Non-controlling Interests

Net loss attributable to non-controlling interest increased by 500.9% from approximately RMB2.6 million for the Corresponding Period to approximately RMB15.5 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 and Total Comprehensive Income Attributable to the Owners of the Company

Loss and total comprehensive income attributable to the owners of the Company recorded an increase by 261.0% from loss of approximately RMB36.2 million for the Corresponding Period to loss of approximately RMB130.8 million for the Current Period. Basic and diluted loss per share were both RMB0.036, as compared to basic and diluted loss per share of RMB0.010 for the Corresponding Period.

PROSPECTS

Moving forward, the Group continues seizing new collaborations with other LNG key suppliers for stable supply and growth of its LNG supply business. The Group also eyes at venturing into other overseas markets such as Europe to extend its market footprint.

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 existing business and support any new opportunities.

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 30 September 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 30 September 2021, the Company has utilized approximately HK\$30.6 million (equivalent to approximately RMB25.5 million) for general working capital of the Group and approximately HK\$15.6 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 30 September 2021 is set out as follows:

Net proceeds raised	Proposed use of proceeds	Utilised proceeds up to 30 September 2021	Unutilised proceeds up to 30 September 2021	Expected timeline for use of unutilized proceeds
approximately HK\$97.5 million (equivalent to approximately RMB82.7 million)	(i) general working capital of the Group (50%)	approximately RMB25.5 million	approximately RMB15.9 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 30 September 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 dollars. Some of the Group's cash and bank deposits were denominated in RMB, while others were denominated in Hong Kong dollars. Any significant exchange rate fluctuations of Hong Kong dollars against RMB as the functional currency may have a financial impact to the Group. The Group managed its foreign exchange risks by performing regular review and monitoring of the foreign exchange exposure. The Group would consider employing foreign exchange hedging arrangements when appropriate and necessary. 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

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

There is no plans 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 and consultants of the Company or its subsidiaries to subscribe for shares in the Company at a consideration equal to the higher of the closing price of the shares of the Company on the Stock Exchange at the date of offer of grant and the average closing prices of the shares of the Company on the Stock Exchange for the five trading days immediately preceding the date of grant of the options. Options granted must be taken up within 28 days from the date of grant, upon payment of HK\$1.00. Options may be exercised at any time from the date of grant of the share option up to the tenth anniversary of the date of grant as determined by the Directors at their discretion. The maximum number of shares of the Company in respect of which options may be granted, when aggregated with any other share option scheme of the Company, shall not exceed 30% of the issued share capital of the Company from time to time excluding any shares issued upon the exercise of options granted pursuant to the Scheme. The maximum number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the shares in issue upon the date of which the shares are listed and permitted to be dealt in the Stock Exchange. The 10% limit may be refreshed at any time by approval of the Company's shareholders provided that the total number of shares which may be issued upon exercise of all options to be granted under all of the schemes of the Company under the limit as "refreshed" must not exceed 10% of the shares in issue as at the date of approval of the limit. The total number of shares issued and to be issued upon exercise of the options granted to a participant under the Scheme (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares in issue from time to time.

During the year 2014, the Company granted 28,000,000 share options to the Company's Directors, employees and consultants at the exercise price of HK\$0.81 per option (i.e. 224,000,000 share options with the exercise price of HK\$0.10125 each after the share subdivision on 20 May 2016). During the year 2017, the Company granted 343,536,000 share options to the Company's Directors, employees and consultants at the exercise price of HK\$0.289 per option. As at 30 September 2021, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 257,280,000 (30 September 2020: 257,280,000), representing 7.1% (30 September 2020: 7.1%) of the shares of the Company in issue at that date. Details of the movements of share options granted, exercised or cancelled/forfeited during the Current Period and outstanding as at 30 September 2021 are as follows:

	Number of share options					Exercise period	Closing price immediately	
	At 1 January 2021	Granted during the period	Exercised during the period	Cancelled/ forfeited during the period	Outstanding as at 30 September 2021		Exercise price HK\$	before the date of grant HK\$
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	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
Total Employees	89,768,000	—	—	—	89,768,000			
Consultants	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
Total Consultants	29,880,000	—	—	—	29,880,000			
Total All Categories	257,280,000	—	—	—	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 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 is also interested in 22,400,000 shares which beneficially owned by herself.

Long position in the underlying shares of equity derivatives of the Company

Name of Director	Nature of Interest	Number of underlying shares (Note)
Mr. Hu Yishi	Beneficial owner	8,640,000
Mr. Chan Wing Yuen, Hubert	Beneficial owner	56,744,000
Ms. Lin Min, Mindy	Beneficial owner	8,640,000
Ms. Kwong Wai Man, Karina	Beneficial owner	56,744,000
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 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. 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 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 or 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 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 ^(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, 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, an executive Director.

5. Blossom Merit Limited, a company incorporated in the 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 was no debt securities issued by the Group and the Company at any time.

Save as disclosed above, as at 30 September 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 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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities 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 under the Corporate Governance Practice contained 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, 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 of the Company.

As at 30 September 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 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, 9 November 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 Listed Company Information" page for at least seven days from the day of its posting and on the website of the Company at <http://www.8246hk.com>.