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Zhonghua Gas Holdings Limited

(中華燃氣控股有限公司)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8246)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2021 AND THE 2021 THIRD QUARTERLY REPORT

Reference is made to the third quarterly results announcement for the nine months ended 30 September 2021 dated 9 November 2021 of Zhonghua Gas Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) (the “**Announcement**”) and the 2021 third quarterly report of the Company dated 9 November 2021 (the “**Third Quarterly Report**”). Unless otherwise stated, capitalised terms used herein shall have the same meanings as those defined in the Third Quarterly Report.

In addition to the information provided in the Announcement and the Third Quarterly Report, the Board would like to provide further information regarding the allowance for impairment of trade receivables of approximately RMB139,035,000 for the nine months ended 30 September 2021.

ALLOWANCE FOR IMPAIRMENT OF TRADE RECEIVABLES

For the nine months ended 30 September 2021, the Group has made allowance for impairment of trade receivables of approximately RMB139,035,000 (for the nine months ended 30 September 2020: approximately RMB36,680,000).

As disclosed in the annual report 2020 of the Company dated 29 March 2021, the management of the Group estimates the amount of impairment loss for expected credit loss (“ECL”) on trade and other receivables based on the credit risk of trade and other receivables.

Before 2020, the collections of trade receivables of the Group were smooth. However, due to the economic instability under novel coronavirus (“COVID-19”), the customers of the Group slowed down their repayment. During the communications with customers of the Group, we understand that they are facing financial difficulties and tight cash flows. The delay of payment and overdue balance led to an increase in expected loss rates in 2020 and 2021, therefore, led to an increase in allowance for impairment of trade receivables of the Group.

Customer credit risk is managed by each business unit subject to the Group’s established policy, procedures and control relating to customer credit risk management. Individual credit evaluations are performed on all customers of the Group requiring credit over a certain amount. Trade receivables of the Group are usually due within 60 to 180 days from the date of billing of trading of LNG, and due within one to two years after the completion of works for construction related and consultancy services.

Expected loss rates are estimated by independent professional valuer based on historical loss experience. These rates are adjusted to reflect differences between economic conditions and the historical data collected, current conditions and the Group’s view of economic conditions over the expected lives of the receivables.

The allowance for impairment of trade receivables is general provisions by applying the expected loss rate to each customer of the Group, there is no impairment made specifically to certain customers.

The following table provides information about the Group’s exposure to credit risk and ECLs for trade receivables as at 30 September 2021 and 31 December 2020:

	As at 30 September 2021		
	Gross carrying amount	Expected loss rate	Total allowance for impairment of trade receivable
	<i>RMB’000</i>	<i>%</i>	<i>RMB’000</i>
0–60 days	1,270	8.11%	103
61–180 days	99,308	8.15%	8,094
181–270 days	44,429	16.39%	7,284
271 days–1 year	31,921	36.26%	11,574
Over 1 year but within 2 years	285,006	69.86%	199,091
Over 2 years	<u>39,841</u>	100%	<u>39,841</u>
	<u><u>501,775</u></u>		<u><u>265,987</u></u>

As at 31 December 2020

	Gross carrying amount <i>RMB'000</i>	Expected loss rate %	Total allowance for impairment of trade receivable <i>RMB'000</i>
0–60 days	81,092	7.07%	5,731
61–180 days	79,835	8.04%	6,419
181–270 days	35,214	16.69%	5,877
271 days–1 year	82,503	13.74%	11,335
Over 1 year but within 2 years	205,563	43.05%	88,501
Over 2 years	<u>9,089</u>	100%	<u>9,089</u>
	<u><u>493,296</u></u>		<u><u>126,952</u></u>

The management of the Group has been closely monitoring the situation of each customer and the Group recognized the above allowance for impairment of trade receivables of approximately RMB139,035,000 for the nine months ended 30 September 2021. Although the customers of the Group are facing difficulties in repayment, based on the annually performed credit search, our management team's online research and communication with customers, they are still maintaining their normal course of business. The management of the Group had assigned additional manpower to the collection team. Further announcement will be published by the Company as and when appropriate if there are any significant changes on this issue.

Having considered the above, the board of directors of the Company considers that the above allowance for impairment of trade receivables was conducted on a fair and reasonable basis as the estimation techniques used was in line with previous years.

The above additional information does not affect other information contained in the Announcement and Third Quarterly Report. Save as disclosed above, all other information and contents set out in the Announcement and Third Quarterly Report remain unchanged.

By Order of the Board
Zhonghua Gas Holdings Limited
Chan Wing Yuen, Hubert
Chief Executive Officer and Executive Director

Hong Kong, 23 November 2021

As at the date of this announcement, 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 announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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 announcement 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 announcement misleading.

This announcement will remain on the GEM website at www.hkgem.com and, in the case of this announcement, on the “Latest Listed Company Information” page for at least 7 days from the date of its posting. This announcement will also be published on the Company’s website at www.8246hk.com.