

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**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)**

**ANNOUNCEMENT OF ANNUAL RESULTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

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

**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.**

**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.**

*This announcement, 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 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.*

The board of Directors (the “Board”) of the Company announces the audited consolidated annual results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2021 (the “Current Year”), together with the audited comparative figures for the previous year ended 31 December 2020 (the “Previous Year”) as follows:

## FINANCIAL HIGHLIGHTS

	2021		2020		Increase
	<i>RMB'000</i>	<i>HKD'000#</i>	<i>RMB'000</i>	<i>HKD'000*</i>	
Revenue	420,656	514,504	243,697	289,561	72.6%
Gross loss <sup>(a)</sup>	(7,029)	(8,597)	(4,115)	(4,889)	70.8%
Loss and total comprehensive income for the year	(213,585)	(261,236)	(143,464)	(170,464)	48.9%
Loss and total comprehensive income attributable to owners of the Company	(191,311)	(232,992)	(131,017)	(155,674)	46.0%
Loss before tax	(209,590)	(256,350)	(145,451)	(172,825)	44.1%
Loss before tax and depreciation	(194,751)	(238,200)	(132,919)	(157,934)	46.5%
Loss per share					
Basic and diluted	RMB(0.053)	HK\$(0.065)	RMB(0.036)	HK\$(0.043)	47.2%
Dividend	Nil	Nil	Nil	Nil	N/A

	As at 31.12.2021		As at 31.12.2020		Decrease
	<i>RMB'000</i>	<i>HKD'000#</i>	<i>RMB'000</i>	<i>HKD'000*</i>	
Total assets	358,922	438,997	595,030	707,015	(39.7%)
Net assets	144,692	176,973	354,549	421,275	(59.2%)
Cash and cash equivalents	60,769	74,327	85,484	101,572	(28.9%)
Equity attributable to owners of the Company	115,043	140,709	302,626	359,580	(62.0%)

### Key Financial Indicators

	2021	2020
Gross loss margin <sup>(b)</sup>	(1.7%)	(1.7%)
Net loss margin <sup>(c)</sup>	(50.8%)	(58.9%)
Loss on average equity <sup>(d)</sup>	(91.6%)	(36.2%)
Current ratio (times) <sup>(e)</sup>	2.2	3.7
Net gearing ratio <sup>(f)</sup>	54.5%	27.2%

*Notes:*

- (a) The calculation of gross loss is based on revenue minus cost of sales.
- (b) The calculation of gross loss margin is based on gross loss divided by revenue.
- (c) The calculation of net loss margin is based on loss for the year divided by revenue.
- (d) The calculation of loss on average equity is based on loss attributable to the owners of the Company divided by average equity attributable to owners of the Company.
- (e) The calculation of current ratio is based on current assets divided by current liabilities.
- (f) The calculation of net gearing ratio is based on convertible bonds divided by total equity.
- # Converted to HK\$ at exchange rate of RMB1 = HK\$1.2231 on 31 December 2021 for reference.
- \* Converted to HK\$ at exchange rate of RMB1 = HK\$1.1882 on 31 December 2020 for reference.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the year ended 31 December 2021*

	<i>NOTE</i>	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
Revenue	3	<b>420,656</b>	243,697
Cost of sales		<u><b>(427,685)</b></u>	<u>(247,812)</u>
<b>Gross loss</b>		<b>(7,029)</b>	(4,115)
Other income	4	<b>9,311</b>	16,669
Other gains/(losses)	5	<b>9,237</b>	(15,834)
Allowance for impairment of trade receivables		<b>(195,398)</b>	(117,532)
Administrative expenses		<u><b>(25,397)</b></u>	<u>(24,495)</u>
<b>Loss from operations</b>		<b>(209,276)</b>	(145,307)
Finance costs	6	<u><b>(314)</b></u>	<u>(144)</u>
<b>Loss before tax</b>		<b>(209,590)</b>	(145,451)
Income tax (expense)/credit	8	<u><b>(3,995)</b></u>	<u>1,987</u>
<b>Loss and total comprehensive income for the year</b>	9	<u><b>(213,585)</b></u>	<u>(143,464)</u>
<b>Attributable to:</b>			
Owners of the Company		<b>(191,311)</b>	(131,017)
Non-controlling interests		<u><b>(22,274)</b></u>	<u>(12,447)</u>
		<u><b>(213,585)</b></u>	<u>(143,464)</u>
<b>Loss per share attributable to owners of the Company</b>			
Basic and diluted	11	<u><b>RMB(0.053)</b></u>	<u>RMB(0.036)</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 31 December 2021*

	<i>NOTE</i>	<b>2021</b> <i>RMB'000</i>	2020 <i>RMB'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>50,593</b>	57,862
Investment properties		<b>9,910</b>	9,910
Right-of-use assets		<b>5,693</b>	5,181
Rental deposits		<b>707</b>	341
Deferred tax assets		<b>—</b>	3,954
<b>Total non-current assets</b>		<b>66,903</b>	77,248
<b>Current assets</b>			
Trade and other receivables	<i>12</i>	<b>231,250</b>	432,298
Cash and cash equivalents		<b>60,769</b>	85,484
<b>Total current assets</b>		<b>292,019</b>	517,782
<b>TOTAL ASSETS</b>		<b>358,922</b>	595,030
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		<b>3,724</b>	3,678
Reserves		<b>111,319</b>	298,948
		<b>115,043</b>	302,626
Non-controlling interests		<b>29,649</b>	51,923
<b>TOTAL EQUITY</b>		<b>144,692</b>	354,549
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities		<b>2,905</b>	3,079
Convertible bonds	<i>13</i>	<b>78,796</b>	96,420
<b>Total non-current liabilities</b>		<b>81,701</b>	99,499
<b>Current liabilities</b>			
Trade and other payables	<i>14</i>	<b>127,966</b>	119,957
Amount due to a related company		<b>—</b>	1,802
Contract liabilities		<b>289</b>	14,714
Lease liabilities		<b>2,921</b>	2,111
Income tax payables		<b>1,353</b>	2,398
<b>Total current liabilities</b>		<b>132,529</b>	140,982
<b>TOTAL LIABILITIES</b>		<b>214,230</b>	240,481
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>358,922</b>	595,030
<b>NET CURRENT ASSETS</b>		<b>159,490</b>	376,800

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the year ended 31 December 2021*

	Attributable to owners of the Company						Non-controlling interests	
	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Share option reserve <i>RMB'000</i>	Special reserve <i>RMB'000</i>	Retained profits <i>RMB'000</i>	Total <i>RMB'000</i>	<i>RMB'000</i>	Total equity <i>RMB'000</i>
At 1 January 2020	3,635	38,232	25,193	528	354,504	422,092	64,370	486,462
Total comprehensive income for the year	—	—	—	—	(131,017)	(131,017)	(12,447)	(143,464)
Exercise of share options	43	12,703	(3,017)	—	—	9,729	—	9,729
Recognition of equity-settled share-based payments	—	—	1,822	—	—	1,822	—	1,822
Transfer	—	—	—	(528)	528	—	—	—
Changes in equity for the year	43	12,703	(1,195)	(528)	(130,489)	(119,466)	(12,447)	(131,913)
At 31 December 2020	<u>3,678</u>	<u>50,935</u>	<u>23,998</u>	<u>—</u>	<u>224,015</u>	<u>302,626</u>	<u>51,923</u>	<u>354,549</u>
At 1 January 2021	<u>3,678</u>	<u>50,935</u>	<u>23,998</u>	<u>—</u>	<u>224,015</u>	<u>302,626</u>	<u>51,923</u>	<u>354,549</u>
Total comprehensive income for the year	—	—	—	—	(191,311)	(191,311)	(22,274)	(213,585)
Exercise of share options	46	6,140	(2,458)	—	—	3,728	—	3,728
Changes in equity for the year	46	6,140	(2,458)	—	(191,311)	(187,583)	(22,274)	(209,857)
At 31 December 2021	<u>3,724</u>	<u>57,075</u>	<u>21,540</u>	<u>—</u>	<u>32,704</u>	<u>115,043</u>	<u>29,649</u>	<u>144,692</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 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 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”).

The Company is an investment holding company. The consolidated financial statements are presented in Renminbi (“RMB”), which is also the functional currency of the Company.

### 2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

#### (a) Application of new and revised IFRSs

The Group has applied all the new and revised IFRSs issued by the International Accounting Standards Board for the first time relevant to the Group which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the consolidated financial statements but these developments had no material impact on the Group’s consolidated financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

**(b) New and revised IFRSs in issue but not yet effective**

The Group has not early applied any new IFRSs and amendments to IFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2021. These new IFRSs and amendments to IFRSs include the following which may be relevant to the Group.

	<b>Effective for accounting periods beginning on or after</b>
Amendments to IFRS 16: Leases — Covid-19-Related Rent Concession beyond 30 June 2021	1 April 2021
Amendments to IFRS 3 Business Combination — Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to IAS 37 Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to IFRSs 2018–2020 Cycle	1 January 2022
Amendments to IAS 1 Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements — Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors — Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12 Income Taxes — Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

### 3. REVENUE

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
<b>Revenue from contracts with customers within the scope of IFRS 15</b>		
New Energy Business		
— trading of LNG	420,168	243,201
<b>Revenue from other sources</b>		
— rental income from property investments	488	496
	<u>420,656</u>	<u>243,697</u>
<b>Timing of revenue recognition</b>		
— At a point in time	420,168	243,201
— Over time	488	496
	<u>420,656</u>	<u>243,697</u>

Contract liabilities of RMB14,592,000 recognised at 1 January 2021 was recognised as revenue for the year ended 31 December 2021.

### 4. OTHER INCOME

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Rental and operating management service income	9,103	9,163
Government subsidies ( <i>note</i> )	58	6,366
Interest income on bank deposits	150	35
Trade payables written off	—	750
Others	—	355
	<u>9,311</u>	<u>16,669</u>

*Note:*

During the year, the Group recognised the following subsidies:

- (a) a sum of RMB58,000 (2020: RMB5,561,000) from the PRC's local government for encouragement of its New Energy Business. There are no specific conditions attached to the incentives and, therefore the Group recognised the incentives upon receipt.
- (b) a sum of RMB Nil (2020: RMB805,000) which relates to Employment Support Scheme from the Government of Hong Kong Special Administrative Region.

## 5. OTHER GAINS/(LOSSES)

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Foreign exchange gains/(losses)	511	(25)
Fair value gains/(losses) of convertible bonds	8,723	(14,166)
Reversal of value-added tax credits not deductible	(142)	(1,644)
Others	145	1
	<u>9,237</u>	<u>(15,834)</u>

## 6. FINANCE COSTS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Interest expenses on lease liabilities	<u>314</u>	<u>144</u>

## 7. SEGMENT INFORMATION

Information reported to the Chief Executive Officer, being the chief operating decision maker (“CODM”), for the purpose of resources allocation and assessment of segment performance.

The Group has two reportable operating segments, which are (a) New Energy Business; and (b) Property Investments. The Group’s reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

The accounting policies of the operating segments are the same as the Group’s accounting policies.

Segment results are measured as gross (loss)/profit of each segment without allocation of administrative expenses, finance costs, other income, other gains/(losses), allowance for impairment of trade receivables, and income tax (expense)/credit. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

No segment assets or liabilities information or other segment information is provided as the CODM does not review this information for the purpose of resource allocation and assessment of segment performance.

No geographical segment information is presented as all the sales and operating losses of the Group are derived within the PRC and all the operating assets of the Group are located in the PRC, which is considered as one geographic location with similar risks and returns.

**For the year ended 31 December 2021**

	<b>New Energy Business RMB'000</b>	<b>Property Investments RMB'000</b>	<b>Total RMB'000</b>
Revenue	420,168	488	420,656
Cost of sales	<u>(427,685)</u>	<u>—</u>	<u>(427,685)</u>
Segment results	<u>(7,517)</u>	<u>488</u>	<u>(7,029)</u>
Other income			9,311
Other gains			9,237
Allowance for impairment of trade receivables			(195,398)
Administrative expenses			(25,397)
Finance costs			(314)
Income tax expense			<u>(3,995)</u>
Loss for the year			<u><u>(213,585)</u></u>

**For the year ended 31 December 2020**

	<b>New Energy Business RMB'000</b>	<b>Property Investments RMB'000</b>	<b>Total RMB'000</b>
Revenue	243,201	496	243,697
Cost of sales	<u>(247,812)</u>	<u>—</u>	<u>(247,812)</u>
Segment results	<u>(4,611)</u>	<u>496</u>	<u>(4,115)</u>
Other income			16,669
Other losses			(15,834)
Allowance for impairment of trade receivables			(117,532)
Administrative expenses			(24,495)
Finance costs			(144)
Income tax credit			<u>1,987</u>
Loss for the year			<u><u>(143,464)</u></u>

Revenue from customers contributing over 10% of the total revenue of the Group are as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Customer A (New Energy Business)	<b>188,902</b>	N/A*
Customer B (New Energy Business)	<b>160,791</b>	55,163
Customer C (New Energy Business)	<b>61,151</b>	165,575
	<u><u>          </u></u>	<u><u>          </u></u>

\* The corresponding revenue does not contribute over 10% of the total revenue of the Group.

## 8. INCOME TAX (EXPENSE)/CREDIT

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current tax		
Provision for the year — the PRC	<b>(4)</b>	(1,962)
Under-provision in prior years	<b>(37)</b>	(5)
	<u>          </u>	<u>          </u>
	<b>(41)</b>	(1,967)
Deferred tax	<b>(3,954)</b>	3,954
	<u>          </u>	<u>          </u>
	<b>(3,995)</b>	1,987
	<u><u>          </u></u>	<u><u>          </u></u>

No provision for Hong Kong Profits Tax was required since the Group had no assessable profits for the years ended 31 December 2021 and 2020.

No provision for PRC Corporate Income Tax was required since the Group had no assessable profits for the year ended 31 December 2021. PRC Corporate Income Tax has been provided at a rate of 25% for the year ended 31 December 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.

The reconciliation between the income tax (expense)/credit and the product of loss before tax multiplied by the respective applicable tax rates is as follows:

	<b>2021</b>	2020
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Loss before tax	<b>(209,590)</b>	(145,451)
Tax at the respective applicable tax rates	<b>52,235</b>	33,617
Tax effect of expenses not deductible	<b>(206)</b>	(291)
Tax effect of income not taxable	<b>1,439</b>	—
Tax effect of tax losses not recognised	<b>(4,600)</b>	(5,903)
Net tax effect of temporary differences not recognised	<b>(52,826)</b>	(25,431)
Under-provision in prior years	<b>(37)</b>	(5)
	<b><u>(3,995)</u></b>	<u>1,987</u>

## 9. LOSS FOR THE YEAR

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

	<b>2021</b>	2020
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Directors' and chief executive's emoluments	<b>4,094</b>	5,143
Salaries and other allowances	<b>7,334</b>	7,290
Retirement benefit scheme contributions	<b>1,155</b>	600
Equity-settled share based payments	<b>—</b>	1,292
Auditors' remuneration	<b>999</b>	990
Depreciation of property, plant and equipment:		
—recognised in cost of sales	<b>10,333</b>	10,333
—recognised in administrative expenses	<b>1,316</b>	339
Depreciation of right-of-use assets	<b>3,190</b>	1,860
	<b><u>3,190</u></b>	<u>1,860</u>

## 10. DIVIDENDS

The board of directors does not recommend the payment of any dividend in respect of the years ended 31 December 2021 and 2020.

## 11. LOSS PER SHARE

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
<b>Loss attributable to owners of the Company</b>		
Loss for the purpose of calculating basic and diluted loss per share	<u>(191,311)</u>	<u>(131,017)</u>
	2021 <i>'000</i>	2020 <i>'000</i>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	<u>3,626,800</u>	<u>3,609,353</u>

The computation of diluted loss per share during the year ended 31 December 2021 and 2020 did not assume the exercises of the Company's outstanding share options and convertible bonds as these are anti-dilutive.

## 12. TRADE AND OTHER RECEIVABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade receivables	546,419	493,296
Less: allowance for impairment of trade receivables	<u>(322,350)</u>	<u>(126,952)</u>
	224,069	366,344
Other receivables	6,080	19,551
Prepayments	1,091	46,007
Deposits	<u>10</u>	<u>396</u>
	<u>231,250</u>	<u>432,298</u>

The settlement periods of the construction related and consultancy services are generally within one to two years after the completion of services. Meanwhile, the credit period granted to trading of industrial products and LNG customers are ranging from 60 to 180 days.

The aging analysis of trade receivables net of allowance for impairment of trade receivables, presented based on the invoice dates at the end of the reporting period, which approximate the respective revenue recognition dates, is as follows:

	<b>2021</b>	2020
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
0 – 60 days	<b>95,374</b>	75,361
61 – 180 days	—	73,416
181 – 270 days	<b>84,835</b>	29,337
271 days – 1 year	<b>29,407</b>	71,168
Over 1 year but within 2 years	<b>14,453</b>	117,062
	<b><u>224,069</u></b>	<u>366,344</u>

The carrying amounts of the Group's trade and other receivables are mainly denominated in RMB.

### 13. 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 31 December 2021 and 2020 using Binomial model.

The movement of the convertible bonds is as follows:

	<i>RMB'000</i>
At 16 November 2020 (date of issuance)	<b>83,000</b>
Fair value losses	<b>14,166</b>
Exchange difference	<b>(746)</b>
	<hr/>
At 31 December 2020 and 1 January 2021	<b>96,420</b>
Payment of interest	<b>(6,473)</b>
Fair value gains	<b>(8,723)</b>
Exchange difference	<b>(2,428)</b>
	<hr/>
At 31 December 2021	<b>78,796</b>
	<hr/> <hr/>

#### 14. TRADE AND OTHER PAYABLES

	<b>2021</b>	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	<b>119,394</b>	111,231
Other payables	<b>7,914</b>	8,057
Accruals	<b>658</b>	669
	<hr/>	<hr/>
	<b>127,966</b>	119,957
	<hr/> <hr/>	<hr/> <hr/>

Trade payables comprised amounts due to suppliers for purchase of goods or services used in regular course of business. Trade payables are non-interest bearing and generally due according to contract terms.

The aging analysis of trade payables based on invoice date is as follows:

	<b>2021</b>	2020
	<i>RMB'000</i>	<i>RMB'000</i>
0 – 30 days	<b>14,540</b>	3,043
31 – 60 days	—	—
91 – 180 days	—	11,779
Over 180 days	<b>104,854</b>	96,409
	<hr/>	<hr/>
	<b>119,394</b>	111,231
	<hr/> <hr/>	<hr/> <hr/>

The carrying amounts of the Group's trade and other payables are mainly denominated in RMB.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

For the Current Year, the Group's total revenue increased by 72.6% to approximately RMB420.7 million as compared to the Previous Year and the LNG trading operation in Shanghai which set up in third quarter of last year, continued to make contribution to the top line during the year. The New Energy Business contributed over 99% to the Group's total revenue. A net loss after tax of approximately RMB213.6 million was recorded for the Current Year as compared to a net loss after tax of approximately RMB143.5 million recorded in the Previous Year mainly caused by (i) allowance for impairment of trade receivables of approximately RMB195.4 million for the Current Year (Previous Year: approximately RMB117.5 million); (ii) increase of gross loss from approximately RMB4.1 million for the Previous Year to approximately RMB7.0 million for the Current Year due to intense keen LNG price competition and fluctuation. Loss and total comprehensive income attributable to the owner of the Company for the Current Year amounted to approximately RMB191.3 million as compared to loss and total comprehensive income attributable to the owner of the Company of approximately RMB131.0 million for the Previous Year.

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 credit loss rates in 2020 and 2021, therefore, Group had increased the aggregated allowance for impairment of trade receivables to approximately RMB322.4 million as at 31 December 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.

#### **New Energy Business**

The Group is principally engaged in the provision of diverse integrated new energy services including technological development, construction related and consultancy services in relation to heat supply and coal-to-natural gas conversion, supply of LNG, coupled with trading of new energy related industrial products.

In order to mitigate the devastating impact of market uncertainties, the Group could leverage on diversification and expansion of the business both in terms of scopes and footprints. During the Current Year, the primary source of revenue from the New Energy Business was contributed by the LNG supply, from its headquarter Tianjin and new hotspot Shanghai. 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 60% of revenue in the Current Year. The LNG price competition remained fierce and the margin of the LNG supply business remained low. While the market condition under the continuous impacts of pandemic, there was no new project from the construction related and consultancy services in the New Energy Business. The coal-to-natural 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 entered into 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 West Road, Jing An District, Shanghai, the PRC. During the Current Year, 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 Year, revenue of the Group amounted to approximately RMB420.7 million, representing an increase of 72.6% from approximately RMB243.7 million for the Previous Year. The increase was mainly attributable to the increase in revenue of approximately RMB177.0 million from New Energy Business during the Current Year with a new LNG supply location in Shanghai during the third quarter of 2020.

### ***Cost of Sales***

The cost of sales of New Energy Business increased to approximately RMB427.7 million as compared to approximately RMB247.8 million in the Previous Year. 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)/Profit Margin***

	<b>2021</b>	2020
New Energy Business	<b>(1.8%)</b>	(1.9%)
Property Investments	<b>100%</b>	100%
Group total	<b><u>(1.7%)</u></b>	<b><u>(1.7%)</u></b>

Gross loss represents revenue less cost of sales. Gross margin of the New Energy Business segment decreased from gross loss margin of 1.9% for the Previous Year to gross loss margin of 1.8% for the Current Year. The intense price competition and price fluctuation of LNG led to a thin margin which could not cover the fixed direct cost for both years.

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

### ***Other Gains/(Losses)***

Other gains of approximately RMB9.2 million were recorded in the Current Year as compared to other losses of approximately RMB15.8 million in the Previous Year, mainly due to the fair value gains of Convertible Bonds of approximately RMB8.7 million recognised in the Current Year (Previous Year: fair value losses of approximately RMB14.2 million).

### ***Administrative Expenses***

Administrative expenses increased by 3.7% from approximately RMB24.5 million for the Previous Year to approximately RMB25.4 million for the Current Year. The increase was mainly due to the depreciation of newly acquired motor vehicles and right-of-use assets net off by the decrease in share-based payment expenses in the Current Year in connection with the grant of share options in June 2017 which vested in the Previous Year.

### ***Finance Costs***

For the Current Year, the Group's finance costs were approximately RMB0.3 million (Previous Year: approximately RMB0.1 million), representing an increase of RMB0.2 million or 118.1%, which was mainly due to increase in the cost incurred from the lease liabilities arose from right-of-use assets.

### ***Income Tax (Expense)/Credit***

Income tax expense was recorded approximately RMB4.0 million (Previous Year: income tax credit of approximately RMB2.0 million). It was mainly derived from the effect of reversal of deferred tax asset recognised in prior years.

### ***Loss and Total Comprehensive Income Attributable to Non-controlling Interests***

Loss and total comprehensive income attributable to non-controlling interest increased by 79.0% from approximately RMB12.4 million for the Previous Year to approximately RMB22.3 million for the Current Year. This was mainly attributable to the net loss recorded by the non-wholly owned subsidiaries in Tianjin for the Current Year.

### ***Loss and Total Comprehensive Income Attributable to the Owners of the Company***

Loss and total comprehensive income attributable to owners of the Company recorded an increase by 46.0% from loss of approximately RMB131.0 million for the Previous Year to loss of approximately RMB191.3 million for the Current Year. The increase was mainly caused by allowance for impairment on the trade receivables for approximately RMB195.4 million in Current Year (Previous Year: approximately RMB117.5 million).

Basic and diluted loss per share for the Current Year were both RMB0.053, as compared to basic and diluted loss per share of RMB0.036 for the Previous Year.

Review of the Group's operations by segment during the Current Year is as follows:

### ***New Energy Business***

The results of the New Energy Business recorded an increase in revenue of 72.8% from approximately RMB243.2 million for the Previous Year to approximately RMB420.2 million for the Current Year. The revenue from this business segment accounted for 99.9% of the Group's total revenue (Previous Year: 99.8%).

The table below set forth a breakdown of the Group's revenue generated from the New Energy Business segment:

<b>District</b>	<b>2021 Revenue RMB million</b>	<b>2020 Revenue RMB million</b>
Beichen, Tianjin (北辰區，天津)	<b>160.8</b>	55.2
Xiqing, Tianjin (西青區，天津)	<b>7.3</b>	22.3
Pudong Xinqu, Shanghai (浦東新區，上海)	<b>250.1</b>	165.7
Hungpu, Shanghai (黃浦區，上海)	<b>0.1</b>	—
Qidong, Jiangshu (啟東市，江蘇)	<b>1.7</b>	—
Zhangjiagang, Jiangshu (張家港市，江蘇)	<b>0.2</b>	—
	<b><u>420.2</u></b>	<b><u>243.2</u></b>

The revenue from the New Energy Business for Current Year mainly contributed by the LNG supply in Tianjin and Shanghai.

### ***Property Investments***

The Group owns two office premises on Beijing West Road, Jing An District, Shanghai, the PRC. The properties were being held for investment purpose and it generated rental income and segmental profit of approximately RMB0.5 million and RMB0.5 million respectively in the Current Year (Previous Year: approximately RMB0.5 million and RMB0.5 million respectively). The investment properties were expected to bring stable long-term rental income to the Group.

### **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31 December 2021, cash and cash equivalents maintained by the Group were approximately RMB60.8 million, representing a decrease of 28.9% from approximately RMB85.5 million as at 31 December 2020, mainly due to funds used in operating expenses and purchase of motor vehicles in the Current Year.

Trade and other receivables were approximately RMB231.3 million, decreased by 46.5% from approximately RMB432.3 million as at 31 December 2020, which mainly represented the increase in trade receivables in LNG supply business net off the effect of allowance for impairment of trade receivables and collection of trade receivables.

Trade and other payables increased from approximately RMB120.0 million as at 31 December 2020 to approximately RMB128.0 million as at 31 December 2021, by 6.7%, mainly reflected the increase in trade payables from the New Energy Business.

Contract liabilities decreased to approximately RMB0.3 million as at 31 December 2021 compared with approximately RMB14.7 million as at 31 December 2020 due to decrease in advance from customers. Finance lease liabilities raised from right-of-use assets of office locations of approximately RMB5.8 million compared with approximately RMB5.2 million as at 31 December 2020. The tax liability decreased from approximately RMB2.4 million as at 31 December 2020 to approximately RMB1.4 million as at 31 December 2021, by 43.6%.

The amount due to a related company decreased from approximately RMB1.8 million as at 31 December 2020 to RMB Nil as at 31 December 2021 due to repayment.

As a result of the above mentioned, the Group's current assets and current liabilities as at 31 December 2021 were approximately RMB292.0 million and approximately RMB132.5 million (31 December 2020: approximately RMB517.8 million and approximately RMB141.0 million) respectively.

The Group had no bank borrowings as at 31 December 2021. The gearing ratio of the Group, measured as convertible bonds to total equity, increased to 54.5% as at 31 December 2021 (31 December 2020: 27.2%) such increase was due to the decrease in total equity as at 31 December 2021. The Group recorded net assets of approximately RMB144.7 million as at 31 December 2021 compared with approximately RMB354.5 million as at 31 December 2020. The decrease was mainly due to the net loss recorded during the Current Year, net off the effect of increase in equity by the exercise of share options. During the Current Year, the Group financed its operations with the funds from issuance of the Convertible Bonds and its internal resources.

## **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 December 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 December 2021, the Company has utilized approximately HK\$33.4 million (equivalent to approximately RMB27.3 million) for general working capital of the Group and approximately HK\$15.9 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 December 2021 is set out as follows:

Net proceeds raised	Proposed use of proceeds	Utilised proceeds up to 31 December 2021	Unutilised proceeds up to 31 December 2021	Expected timeline for use of unutilised proceeds
approximately HK\$97.5 million (equivalent to approximately RMB82.7 million)	(i) general working capital of the Group (50%)	approximately RMB27.3 million	approximately RMB14.1 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 Year, an aggregate of 44,800,000 shares were issued and allotted pursuant to the exercise of share options with exercise price of HK\$0.10125. As at 31 December 2021, the Company had an aggregate of 3,666,936,000 shares of HK\$0.00125 each in issue.

## DIVIDENDS

The Board did not recommend the payment of any dividend for the Current Year (Previous Year: 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 Year, the Group did not use any financial instruments for hedging purpose (Previous Year: Nil).

## **CONTINGENT LIABILITIES**

As at 31 December 2021, the Group did not have any material contingent liabilities (Previous Year: Nil).

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

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

There is no plans for material investments or capital assets as at the date of this announcement.

## **PLEDGE OF ASSETS**

As at 31 December 2021, the Group did not have any mortgage or charge over its assets (Previous Year: Nil).

## **EMPLOYMENT AND REMUNERATION OF EMPLOYEES**

As at 31 December 2021, the Group has approximately 35 full time employees in the PRC and 16 staffs in Hong Kong. The Group recognises the importance of human resources to its success, therefore qualified and experienced personnel are recruited for reviewing and restructuring our existing business. The remuneration of the Group has maintained at competitive level with discretionary bonuses payable on a merit basis and in line with industrial practice. Apart from salary payments, other staff benefits provided by the Group includes mandatory provident fund, insurance schemes and performance related bonus.

## **PROSPECTS**

The PRC's policy directives are encouraging coal-to-natural gas switching to combat air pollution and are set to continue driving up the share of natural gas in the country. As part of its 13th Five-Year Plan, the PRC government intends to cut annual coal consumption while raise the proportion of gas in the country's energy consumption. Therefore, the Group holds a strong faith in the future growth potential in natural gas in the country especially Shanghai where has already built well-developed interconnecting regional pipelines, as well as access to several LNG terminals along the east-coast, has matched to establish a regional market hub for natural gas.

The pandemic delays the overall development of industrial and business activities. The Group's top forward priority sets on the path of restore, develop and expand the New Energy Business in scopes and footprint of its emerging knitted network following the post pandemic recovery in the PRC as well as seek opportunity to venture into other overseas markets such as Europe to extend the market footprint. The Group will keep on pursuing growth opportunities through establishing new joint ventures and carrying out merger and acquisition including but not limit to secure stable LNG supply.

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.

## **OTHER INFORMATION**

### **Audit Committee**

The audit committee of the Company (the "Audit Committee") was established to review the Group's financial reporting, corporate governance reporting process, internal control system, risk management matters and make relevant recommendations to the Board.

The current 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 Group's annual report and results announcement for the year ended 31 December 2021 has been reviewed by the Audit Committee, which was of the opinion that such reports and results were prepared in accordance with the applicable accounting standards and requirements. The Audit Committee also monitored the Company's progress in implementing the code provisions of corporate governance code as required under the GEM Listing Rules.

### **Scope of Work Performed by Auditor**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. RSM Hong Kong, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. RSM Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. RSM Hong Kong on the preliminary announcement.

## **Compliance with the Corporate Governance Code**

To comply with all the new code provisions set out in the Corporate Governance Code contained in Appendix 15 of the GEM Listing Rules (the “Corporate Governance Code”), relevant amendments and adoptions has been adopted by the Company for the Current Year. The Board will continue to review regularly and take appropriate actions to comply with the Corporate Governance Code.

Under code provision C.1.6 of the Corporate Governance Code, the Board members should attend general meetings and develop a balanced understanding of the views of shareholders of the Company. Due to other unavoidable business engagement, one of the independent non-executive Directors was unable to attend the Company’s annual general meeting held on 23 June 2021.

Saved as disclosed above, the Directors are of the opinions that the Company and the Board have complied with the Corporate Governance Code throughout the Current Year.

## **Compliance with the Required Standards of Dealings in Securities Transactions by Directors**

The Group has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding Directors’ securities transactions in securities of the Company. Upon the Group’s specific enquiry, each Director confirmed that during the year ended 31 December 2021, he/she had fully complied with the required standard of dealings and there was no event of non-compliance.

## **Purchase, Sale or Redemption of Securities of the Company**

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

## **Environmental, Social and Governance Report**

The Group strives to protect the environment and minimize any negative impact on the environment and occupational health and safety induced by our business, achieving the goal of sustainable development.

Pursuant to Rule 17.103 of the GEM Listing Rules, an Environmental, Social and Governance (“ESG”) Report of the Company for the Current Year in compliance with the provisions set out in the ESG Reporting Guide in Appendix 20 to the GEM Listing Rules will be published on the Stock Exchange’s website and the Company’s website no later than five months after the end of financial year.

## **Communication with Shareholders**

The Company believes that maintaining a high level of transparency is a key to enhance investor relations. It is committed to a policy of open and timely disclosure of corporate information to its shareholders and investment public.

The Company updates the shareholders on its latest business developments and financial performance through its annual, interim and quarterly reports and communicates with the shareholders through annual general meetings and extraordinary general meetings. In compliance with the requirements of the GEM Listing Rules, the Company issued regular reports, announcements, circulars and notice of general meetings. Always updated with latest information, the corporate website of the Company (<http://www.8246hk.com>) has provided an effective communication platform to the public and the shareholders.

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

Hong Kong, 22 March 2022

*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 will remain on the GEM website at [www.hkgem.com](http://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](http://www.8246hk.com).*