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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)

ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2022

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 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 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 unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2022 (the “Current Period”), together with the unaudited comparative figures for the six months ended 30 June 2021 (the “Corresponding Period”) as follows:

FINANCIAL HIGHLIGHTS

| | For the six months ended 30.6.2022 | | For the six months ended 30.6.2021 | | Increase/ (decrease) |
|---|---------------------------------------|-----------------------|---------------------------------------|-------------|-------------------------|
| | RMB'000 | HK\$'000 [#] | RMB'000 | HK\$'000* | |
| Revenue | 113,780 | 133,043 | 216,837 | 260,595 | (47.5%) |
| Gross loss ^(a) | (4,349) | (5,085) | (3,924) | (4,716) | 10.8% |
| Loss and total comprehensive income for the period | (27,150) | (31,746) | (123,572) | (148,509) | (78.0%) |
| Loss and total comprehensive income attributable to owners of the Company | (25,579) | (29,910) | (109,896) | (132,073) | (76.7%) |
| Loss before tax | (27,143) | (31,738) | (128,876) | (154,883) | (78.9%) |
| Loss before tax and depreciation | (19,847) | (23,207) | (121,632) | (146,177) | (83.7%) |
| Loss per share basic and diluted | RMB(0.007) | HK\$(0.008) | RMB(0.030) | HK\$(0.036) | (76.7%) |
| Dividend | Nil | Nil | Nil | Nil | N/A |

| | As at 30.6.2022 | | As at 31.12.2021 | | (Decrease) |
|---|-----------------|-----------------------|------------------|-----------------------|------------|
| | RMB'000 | HK\$'000 [#] | RMB'000 | HK\$'000 ^Δ | |
| Total assets | 325,650 | 380,783 | 358,922 | 438,997 | (9.3%) |
| Net assets | 117,542 | 137,442 | 144,692 | 176,973 | (18.8%) |
| Cash and cash equivalents | 53,429 | 62,475 | 60,769 | 74,327 | (12.1%) |
| Equity attributable to owners of the Company | 89,464 | 104,610 | 115,043 | 140,709 | (22.2%) |

| Key Financial Indicators | For the six months ended 30.6.2022/ As at 30.6.2022 | For the six months ended 30.6.2021/ As at 31.12.2021 |
|---------------------------------------|--|---|
| | Gross loss margin ^(b) | (3.8%) |
| Net loss margin ^(c) | (23.9%) | (57.0%) |
| Loss on average equity ^(d) | (25.0%) | (44.4%) |
| Current ratio (times) ^(e) | 2.2 | 2.2 |
| Net gearing ratio ^(f) | 71.8% | 54.5% |

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 period divided by revenue.
- (d) The calculation of loss on average equity is based on loss attributable to 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\$1.1693 on 30 June 2022 for reference.
- * Converted to HK\$ at exchange rate of RMB1 = HK\$1.2018 on 30 June 2021 for reference.
- Δ Converted to HK\$ at exchange rate of RMB1 = HK\$1.2231 on 31 December 2021 for reference.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

| | | Six months ended | |
|---|--------------|--------------------------|--------------------|
| | <i>NOTES</i> | 30.6.2022 | 30.6.2021 |
| | | RMB'000 | RMB'000 |
| | | (unaudited) | (unaudited) |
| Revenue | 5 | 113,780 | 216,837 |
| Cost of sales | | <u>(118,129)</u> | <u>(220,761)</u> |
| Gross loss | | (4,349) | (3,924) |
| Other income | 6 | 5,723 | 5,728 |
| Other (losses)/gains | 7 | (6,929) | 8,823 |
| Allowance of impairment on trade receivables | | (11,038) | (126,904) |
| Administrative expenses | | <u>(10,419)</u> | <u>(12,452)</u> |
| Loss from operations | | (27,012) | (128,729) |
| Finance costs | 8 | <u>(131)</u> | <u>(147)</u> |
| Loss before tax | | (27,143) | (128,876) |
| Income tax (expense)/credit | 10 | <u>(7)</u> | <u>5,304</u> |
| Loss and total comprehensive income for the period | 11 | <u>(27,150)</u> | <u>(123,572)</u> |
| Attributable to: | | | |
| Owners of the Company | | (25,579) | (109,896) |
| Non-controlling interests | | <u>(1,571)</u> | <u>(13,676)</u> |
| | | <u>(27,150)</u> | <u>(123,572)</u> |
| Loss per share attributable to owners of the Company | | | |
| Basic and diluted | 13 | <u>RMB(0.007)</u> | <u>RMB(0.030)</u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

| | <i>NOTES</i> | 30.6.2022 RMB'000 (unaudited) | 31.12.2021 RMB'000 (audited) |
|---|--------------|--|--|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 14 | 44,753 | 50,593 |
| Investment properties | 15 | 9,910 | 9,910 |
| Right-of-use assets | 16 | 4,247 | 5,693 |
| Rental deposits | | 399 | 707 |
| Total non-current assets | | 59,309 | 66,903 |
| Current assets | | | |
| Trade and other receivables | 17 | 212,912 | 231,250 |
| Cash and cash equivalents | | 53,429 | 60,769 |
| Total current assets | | 266,341 | 292,019 |
| TOTAL ASSETS | | 325,650 | 358,922 |
| EQUITY AND LIABILITIES | | | |
| Equity attributable to owners of the Company | | | |
| Share capital | 18 | 3,724 | 3,724 |
| Reserves | | 85,740 | 111,319 |
| | | 89,464 | 115,043 |
| Non-controlling interests | | 28,078 | 29,649 |
| TOTAL EQUITY | | 117,542 | 144,692 |

| | <i>NOTES</i> | 30.6.2022 RMB'000 (unaudited) | 31.12.2021 <i>RMB'000</i> (audited) |
|--------------------------------------|--------------|--|---|
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Lease liabilities | | 1,952 | 2,905 |
| Convertible bonds | 19 | 84,431 | 78,796 |
| Total non-current liabilities | | 86,383 | 81,701 |
| Current liabilities | | | |
| Trade and other payables | 20 | 117,822 | 127,966 |
| Contract liabilities | | 122 | 289 |
| Lease liabilities | | 2,430 | 2,921 |
| Income tax payables | | 1,351 | 1,353 |
| Total current liabilities | | 121,725 | 132,529 |
| TOTAL LIABILITIES | | 208,108 | 214,230 |
| TOTAL EQUITY AND LIABILITIES | | 325,650 | 358,922 |
| NET CURRENT ASSETS | | 144,616 | 159,490 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2022

| | Attributable to owners of the Company | | | | | Non- controlling interests | Total equity |
|--|---------------------------------------|------------------|----------------------------|---------------------|----------------|----------------------------------|-----------------|
| | Share capital | Share premium | Share option reserve | Retained profits | Total | | |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| 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 | — | — | — | (109,896) | (109,896) | (13,676) | (123,572) |
| Changes in equity for the period | — | — | — | (109,896) | (109,896) | (13,676) | (123,572) |
| At 30 June 2021 (unaudited) | <u>3,678</u> | <u>50,935</u> | <u>23,998</u> | <u>114,119</u> | <u>192,730</u> | <u>38,247</u> | <u>230,977</u> |
| At 1 January 2022 (audited) | 3,724 | 57,075 | 21,540 | 32,704 | 115,043 | 29,649 | 144,692 |
| Total comprehensive income for the period | — | — | — | (25,579) | (25,579) | (1,571) | (27,150) |
| Changes in equity for the period | — | — | — | (25,579) | (25,579) | (1,571) | (27,150) |
| At 30 June 2022 (unaudited) | <u>3,724</u> | <u>57,075</u> | <u>21,540</u> | <u>7,125</u> | <u>89,464</u> | <u>28,078</u> | <u>117,542</u> |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

| | Six months ended | |
|--|------------------|-----------------|
| | 30.6.2022 | 30.6.2021 |
| | RMB'000 | RMB'000 |
| | (unaudited) | (unaudited) |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash used in operations | (4,468) | (6,238) |
| Income tax paid | (9) | (1,085) |
| | <u>(4,477)</u> | <u>(7,323)</u> |
| Net cash used in operating activities | | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of property, plant and equipment | (10) | (8,670) |
| Interest income received | 16 | 72 |
| | <u>6</u> | <u>(8,598)</u> |
| Net cash generated from/(used in) investing activities | | |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Payment of interest of convertible bonds | (3,299) | (3,259) |
| Payment of lease liabilities | (1,444) | (1,485) |
| Interest paid on lease liabilities | (131) | (147) |
| Repayment to a related company | — | (801) |
| | <u>(4,874)</u> | <u>(5,692)</u> |
| Net cash used in financing activities | | |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (9,345) | (21,613) |
| Effect of foreign exchange rate changes | 2,005 | (956) |
| CASH AND CASH EQUIVALENTS AT 1 JANUARY | 60,769 | 85,484 |
| CASH AND CASH EQUIVALENTS AT 30 JUNE | 53,429 | 62,915 |

NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

1. GENERAL INFORMATION

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

This interim financial information is unaudited and has been prepared in accordance with International Accounting Standard (“IAS”) 34 Interim Financial Reporting issued by the International Accounting Standards Board (the “IASB”) and the applicable disclosures provisions of the Rules Governing the Listing of Securities on GEM of the Stock Exchange.

This interim financial information should be read in conjunction with the 2021 annual financial statements. The accounting policies (including the critical judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty) and methods of computation used in the preparation of these condensed interim financial information are consistent with those used in the annual financial statements for the year ended 31 December 2021.

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The accounting policies applied in this interim financial information are the same as those applied in the Group’s consolidated financial statements as at and for the year ended 31 December 2021. In the current interim period, the Group has adopted all the new and revised IFRSs issued by the IASB that are relevant to its operations and effective from 1 January 2022 but these developments do not have a material effect on this interim financial information.

A number of new IFRSs and amendments to IFRSs is effective from 1 January 2022 and earlier application is permitted. The Group has not early adopted any new IFRSs or amendments to IFRSs that are not effective for the current interim period.

4. FAIR VALUE MEASUREMENTS

The carrying amounts of the Group's assets and liabilities as reflected in the condensed consolidated statement of financial position approximate their respective fair values.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

During the six months ended 30 June 2022 and 2021, there was no transfer between Level 2 and Level 3. The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

The following table shows the carrying amounts and fair value of assets and liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets not measured at fair value if the carrying amount is a reasonable approximation of fair value.

(a) Disclosures of level in fair value hierarchy:

| Description | Fair value measurements as at 30 June 2022 Level 3 RMB'000 (unaudited) | Fair value measurements as at 31 December 2021 Level 3 RMB'000 (audited) |
|--|---|---|
| Recurring fair value measurements: | | |
| Financial assets | | |
| Investment properties | | |
| Commercial units — the People's Republic of China (the "PRC") (note 15) | <u>9,910</u> | <u>9,910</u> |
| Recurring fair value measurements: | | |
| Financial liabilities | | |
| Convertible bonds (note 19) | <u>84,431</u> | <u>78,796</u> |

(b) Disclosure of valuation process:

The Group's Financial Controller is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes and reports directly to the board of directors for these fair value measurements. Discussions of valuation processes and results are held between the Financial Controller and the board of directors regularly.

For level 3 fair value measurements, the following valuation techniques were applied:

(i) Investment properties

Income approach by capitalising the net rental income of the properties derived from the existing leases and leases of similar properties in close proximity.

(ii) Convertible bonds

Binomial model by taking into account of risk-free rate, historical volatility of the Company, and discount rate with reference to market comparable corporate bonds with similar maturity and credit risk under market approach.

(c) Disclosure of valuation inputs and relationships to fair value:

Level 3 fair value measurements

| Description | Valuation techniques | Unobservable inputs | Range | Effect on fair value for increase of inputs | Fair value RMB'000 (unaudited) |
|--|----------------------|---|-------------------------|---|--------------------------------------|
| 30 June 2022 | | | | | |
| (i) Investment properties Commercial units — the PRC | Income approach | Average monthly rental of the properties derived from the existing leases and leases of similar properties in close proximity | RMB6.5 per square metre | Increase | 9,910 |
| | | Discount rate | 5% | Decrease | |
| (ii) Convertible bonds Convertible bonds | Binomial model | Risk-free rate | 2.36% | Decrease | 84,431 |
| | | Historical volatility of the Company | 60.50% | Increase | |
| | | Discount rate | 23% | Decrease | |

| Description | Valuation techniques | Unobservable inputs | Range | Effect on fair value for increase of inputs | Fair value RMB'000 (audited) |
|-------------|----------------------|---------------------|-------|---|------------------------------------|
|-------------|----------------------|---------------------|-------|---|------------------------------------|

31 December 2021

| | | | | | |
|--|-----------------|---|-------------------------|----------|--------|
| (i) Investment properties Commercial units — the PRC | Income approach | Average monthly rental of the properties derived from the existing leases and leases of similar properties in close proximity | RMB6.4 per square metre | Increase | 9,910 |
| | | Discount rate | 5% | Decrease | |
| (ii) Convertible bonds Convertible bonds | Binomial model | Risk-free rate | 0.62% | Decrease | 78,796 |
| | | Historical volatility of the Company | 39.13% | Increase | |
| | | Discount rate | 19% | Decrease | |

- (d)** The reconciliations of financial assets and non-financial assets measured at fair value based on Level 3.

(Losses)/gains recognised in profit or loss are presented in other (losses)/gains in the condensed consolidated statement of profit or loss and other comprehensive income.

5. REVENUE

| | Six months ended | |
|--|--|--|
| | 30.6.2022 <i>RMB'000</i> (unaudited) | 30.6.2021 <i>RMB'000</i> (unaudited) |
| Revenue from contracts with customers within the scope of IFRS 15 | | |
| New Energy Business | | |
| — Trading of LNG | 113,290 | 216,593 |
| — Management fee income | 246 | — |
| | 113,536 | 216,593 |
| Revenue from other sources | | |
| — Rental income from property investments | 244 | 244 |
| | 113,780 | 216,837 |
| | 113,780 | 216,837 |
| Timing of revenue recognition | | |
| — At a point in time | 113,290 | 216,593 |
| — Over time | 490 | 244 |
| | 113,780 | 216,837 |
| | 113,780 | 216,837 |

Contract liabilities of RMB167,000 recognised at 1 January 2022 was recognised as revenue for the six months ended 30 June 2022.

6. OTHER INCOME

| | Six months ended | |
|--|--|--|
| | 30.6.2022 <i>RMB'000</i> (unaudited) | 30.6.2021 <i>RMB'000</i> (unaudited) |
| Rental and operation management service income | 5,425 | 5,367 |
| Government subsidies (<i>note</i>) | 256 | 51 |
| Interest income on bank deposits | 16 | 72 |
| Others | 26 | 238 |
| | 5,723 | 5,728 |
| | 5,723 | 5,728 |

Note:

During the six months ended 30 June 2022, the Group received the following subsidies:

- (a) a sum of RMB28,000 (for the six months ended 30 June 2021: RMB51,000) 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.
- (b) a sum of RMB228,000 (for the six months ended 30 June 2021: RMB Nil) which relates to Employment Support Scheme from the Government of Hong Kong Special Administrative Region.

7. OTHER (LOSSES)/GAINS

| | Six months ended | |
|--|------------------|--------------|
| | 30.6.2022 | 30.6.2021 |
| | RMB'000 | RMB'000 |
| | (unaudited) | (unaudited) |
| Foreign exchange losses | (1,686) | (18) |
| Fair value (losses)/gains of convertible bonds (note 19) | (5,243) | 8,841 |
| | <u>(6,929)</u> | <u>8,823</u> |

8. FINANCE COSTS

| | Six months ended | |
|--|------------------|-------------|
| | 30.6.2022 | 30.6.2021 |
| | RMB'000 | RMB'000 |
| | (unaudited) | (unaudited) |
| Interest expenses on lease liabilities | <u>131</u> | <u>147</u> |

9. 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.

Segment results are measured as gross (loss)/profit of each segment without allocation of administrative expenses, finance costs, other income, other (losses)/gains, allowance of impairment on 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.

The segment information provided to the CODM for the reportable segments for the six months ended 30 June 2022 and 2021 is as follow:

| | New Energy Business <i>RMB'000</i> (unaudited) | Property Investments <i>RMB'000</i> (unaudited) | Total <i>RMB'000</i> (unaudited) |
|--|---|--|--|
| For the six months ended 30 June 2022 | | | |
| Revenue | 113,536 | 244 | 113,780 |
| Cost of sales | <u>(118,129)</u> | <u>—</u> | <u>(118,129)</u> |
| Segment results | <u>(4,593)</u> | <u>244</u> | <u>(4,349)</u> |
| Other income | | | 5,723 |
| Other losses | | | (6,929) |
| Allowance of impairment on trade receivables | | | (11,038) |
| Administrative expenses | | | (10,419) |
| Finance costs | | | (131) |
| Income tax expense | | | <u>(7)</u> |
| Loss for the period | | | <u>(27,150)</u> |
| | | | |
| | New Energy Business <i>RMB'000</i> (unaudited) | Property Investments <i>RMB'000</i> (unaudited) | Total <i>RMB'000</i> (unaudited) |
| For the six months ended 30 June 2021 | | | |
| Revenue | 216,593 | 244 | 216,837 |
| Cost of sales | <u>(220,761)</u> | <u>—</u> | <u>(220,761)</u> |
| Segment results | <u>(4,168)</u> | <u>244</u> | <u>(3,924)</u> |
| Other income | | | 5,728 |
| Other gains | | | 8,823 |
| Allowance of impairment on trade receivables | | | (126,904) |
| Administrative expenses | | | (12,452) |
| Finance costs | | | (147) |
| Income tax credit | | | <u>5,304</u> |
| Loss for the period | | | <u>(123,572)</u> |

10. INCOME TAX (EXPENSE)/CREDIT

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

| | Six months ended | |
|--|------------------|-------------|
| | 30.6.2022 | 30.6.2021 |
| | RMB'000 | RMB'000 |
| | (unaudited) | (unaudited) |
| Current tax | | |
| (Under-)/over-provision in prior periods | (7) | 1,306 |
| Deferred tax | — | 3,998 |
| | (7) | 5,304 |

No provision for Hong Kong Profits Tax was required since the Group had no assessable profits for the six months ended 30 June 2022 and 2021.

No provision for PRC Corporate Income Tax was required since the Group had no assessable profits for the six months ended 30 June 2022. PRC Corporate Income Tax has been provided at a rate of 25% for the six months ended 30 June 2022 and 2021, 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.

11. LOSS FOR THE PERIOD

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

| | Six months ended | |
|--|------------------|-------------|
| | 30.6.2022 | 30.6.2021 |
| | RMB'000 | RMB'000 |
| | (unaudited) | (unaudited) |
| Directors' and chief executive's emoluments | 2,183 | 1,944 |
| Salaries and other allowances | 3,226 | 3,748 |
| Retirement benefit scheme contributions | 616 | 577 |
| Auditors' remuneration | 218 | 209 |
| Depreciation of property, plant and equipment: | | |
| — recognised in cost of sales | 5,166 | 5,166 |
| — recognised in administrative expenses | 684 | 446 |
| Depreciation of right-of-use assets | 1,446 | 1,632 |

12. DIVIDENDS

The board of directors does not recommend the payment of any dividend in respect of the six months ended 30 June 2022 and 2021.

13. LOSS PER SHARE

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

| | Six months ended | |
|--|------------------|------------------|
| | 30.6.2022 | 30.6.2021 |
| | RMB'000 | RMB'000 |
| | (unaudited) | (unaudited) |
| Loss attributable to owners of the Company | | |
| Loss for the purpose of calculating basic and diluted loss per share | <u>(25,579)</u> | <u>(109,896)</u> |

| | Six months ended | |
|--|------------------|------------------|
| | 30.6.2022 | 30.6.2021 |
| | '000 | '000 |
| | (unaudited) | (unaudited) |
| Number of shares | | |
| Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share | <u>3,666,936</u> | <u>3,622,136</u> |

The computation of diluted loss per share during the six months ended 30 June 2022 did not assume the exercises of the Company's outstanding share options and convertible bonds (for the six months ended 30 June 2021: outstanding share options and convertible bonds) as these are anti-dilutive.

14. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, the Group acquired property, plant and equipment of RMB10,000 relating to items of furniture, fixtures and equipment (for the six months ended 30 June 2021: RMB8,670,000 mainly related to items of motor vehicles).

15. INVESTMENT PROPERTIES

| | 30.6.2022 | 31.12.2021 |
|----------------------------------|--------------|--------------|
| | RMB'000 | RMB'000 |
| | (unaudited) | (audited) |
| At 1 January/30 June/31 December | <u>9,910</u> | <u>9,910</u> |

The Group's investment properties are situated in the PRC and held under medium-term leases. The leases typically run for a periods of 2 to 3 years.

The investment properties were revalued at the end of reporting date by an independent professionally qualified valuer. The fair value is determined using income approach by capitalising the net rental income of the properties derived from the existing leases and leases of similar properties in close proximity.

16. RIGHT-OF-USE ASSETS

During the six months ended 30 June 2022, the Group did not enter into any new lease contracts (for the six months ended 30 June 2021: the Group entered into several new lease contracts of one to three years with an aggregated amount of RMB3,864,000). The balance as at 30 June 2022 relates to office premises.

17. TRADE AND OTHER RECEIVABLES

| | 30.6.2022 RMB'000 (unaudited) | 31.12.2021 RMB'000 (audited) |
|-------------------------------|--|--|
| Trade receivables | 521,697 | 546,419 |
| Less: allowance of impairment | (333,388) | (322,350) |
| | 188,309 | 224,069 |
| Prepayments | 19,847 | 1,091 |
| Other receivables | 4,401 | 6,080 |
| Deposits | 355 | 10 |
| | 212,912 | 231,250 |

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 presented based on the invoice dates at the end of the reporting period is as follows:

| | 30.6.2022 RMB'000 (unaudited) | 31.12.2021 RMB'000 (audited) |
|--------------------------------|--|--|
| 0–60 days | 91,485 | 95,374 |
| 61–180 days | 63,669 | — |
| 181–270 days | 1,146 | 84,835 |
| 271 days–1 year | — | 29,407 |
| Over 1 year but within 2 years | 32,009 | 14,453 |
| | 188,309 | 224,069 |

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

18. SHARE CAPITAL

| | Number of shares '000 | HK\$'000 | RMB'000 |
|---|-----------------------------|---------------|--------------|
| Authorised: | | | |
| Ordinary shares of HK\$0.00125 each | | | |
| At 1 January 2021 (audited), 31 December 2021 (audited), 1 January 2022 (audited) and 30 June 2022 (unaudited) | 64,000,000 | 80,000 | — |
| Issued and fully paid: | | | |
| Ordinary shares of HK\$0.00125 each | | | |
| At 1 January 2021 (audited) | 3,622,136 | 4,528 | 3,678 |
| Exercise of share options | 44,800 | 56 | 46 |
| At 31 December 2021 (audited) | 3,666,936 | 4,584 | 3,724 |
| At 1 January 2022 (audited) and 30 June 2022 (unaudited) | 3,666,936 | 4,584 | 3,724 |

Note: During the six months ended 30 June 2022, none of the share options with exercise price of HK\$0.10125 granted on 25 November 2014 was exercised (year ended 31 December 2021: 44,800,000 new shares were issued and allotted upon the exercise of share options), and none of the share options with exercise price of HK\$0.289 granted on 9 June 2017 was exercised (year ended 31 December 2021: none was exercised).

19. 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 June 2022 and 31 December 2021 using Binomial model.

The movement of the convertible bonds is as follows:

| | 30.6.2022 <i>RMB'000</i> (unaudited) | 31.12.2021 <i>RMB'000</i> (audited) |
|--|---|---|
| At 1 January (audited) | 78,796 | 96,420 |
| Payment of interest | (3,299) | (6,473) |
| Fair value losses/(gains) | 5,243 | (8,723) |
| Exchange difference | 3,691 | (2,428) |
| | <u>84,431</u> | <u>78,796</u> |
| At 30 June (unaudited) and 31 December (audited) | <u>84,431</u> | <u>78,796</u> |

20. TRADE AND OTHER PAYABLES

| | 30.6.2022 <i>RMB'000</i> (unaudited) | 31.12.2021 <i>RMB'000</i> (audited) |
|---------------------|---|---|
| Trade payables | 107,798 | 119,394 |
| Other payables | 9,308 | 7,914 |
| Accruals | 679 | 658 |
| Other taxes payable | 37 | — |
| | <u>117,822</u> | <u>127,966</u> |

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 the invoice date is as follows:

| | 30.6.2022 <i>RMB'000</i> (unaudited) | 31.12.2021 <i>RMB'000</i> (audited) |
|---------------|---|---|
| 0–30 days | 2,845 | 14,540 |
| 31–60 days | — | — |
| 61–90 days | — | — |
| 91–180 days | 99 | — |
| Over 180 days | 104,854 | 104,854 |
| | <u>107,798</u> | <u>119,394</u> |

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

21. SHARE-BASED PAYMENTS

Equity-settled 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 board of directors of the Company 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. 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. Notwithstanding the foregoing, the shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme shall not exceed 10% of the shares in issue from time to time.

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. The Scheme is valid and effective for a period of 10 years commencing on 30 December 2011 and may continue to be exercisable in accordance with their terms of issue.

The Scheme has become effective on 12 December 2011.

On 25 November 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). On 9 June 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.

On 30 June 2022, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 212,480,000 (30 June 2021: 257,280,000), representing 5.8% (30 June 2021: 7.1%) of the shares of the Company in issue at that date. No share option was exercised during the six months ended 30 June 2022.

Details of specific categories of options are as follows:

| Option type | Date of grant | Exercise period | Exercise price | Fair value at grant date |
|------------------------------|---------------|-----------------------|----------------|--------------------------|
| Option to directors | | | | |
| Option C <i>(note 1)</i> | 09/06/2017 | 09/06/2018–09/06/2024 | HK\$0.289 | HK\$0.1262 |
| Option D <i>(note 2)</i> | 09/06/2017 | 09/06/2019–09/06/2024 | HK\$0.289 | HK\$0.1273 |
| Option E <i>(note 3)</i> | 09/06/2017 | 09/06/2020–09/06/2024 | HK\$0.289 | HK\$0.1287 |
| Option to employees | | | | |
| Option I <i>(note 1)</i> | 09/06/2017 | 09/06/2018–09/06/2024 | HK\$0.289 | HK\$0.1117 |
| Option J <i>(note 2)</i> | 09/06/2017 | 09/06/2019–09/06/2024 | HK\$0.289 | HK\$0.1170 |
| Option K <i>(note 3)</i> | 09/06/2017 | 09/06/2020–09/06/2024 | HK\$0.289 | HK\$0.1219 |
| Option to consultants | | | | |
| Option F <i>(note 1)</i> | 09/06/2017 | 09/06/2018–09/06/2024 | HK\$0.289 | HK\$0.1320 |
| Option G <i>(note 2)</i> | 09/06/2017 | 09/06/2019–09/06/2024 | HK\$0.289 | HK\$0.1320 |
| Option H <i>(note 3)</i> | 09/06/2017 | 09/06/2020–09/06/2024 | HK\$0.289 | HK\$0.1320 |

Notes:

1. Option vested upon the first anniversary of the date of granted, being 9 June 2018, which shall be exercisable immediately until expiry of the period from 9 June 2018 to 9 June 2024 (both dates inclusive).
2. Option vested upon the second anniversary of the date of granted, being 9 June 2019, which shall be exercisable immediately until expiry of the period from 9 June 2019 to 9 June 2024 (both dates inclusive).
3. Option vested upon the third anniversary of the date of granted, being 9 June 2020, which shall be exercisable immediately until expiry of the period from 9 June 2020 to 9 June 2024 (both dates inclusive).

The following table discloses movement of the Company's share options for the six months ended 30 June 2022:

| Option type | Outstanding | Granted | Exercised | Forfeited | Outstanding |
|--|----------------|-------------|-------------|-------------|----------------|
| | at 1 January | | | | at 30 June |
| | 2022 | '000 | '000 | '000 | 2022 |
| | '000 | (unaudited) | (unaudited) | (unaudited) | '000 |
| | (audited) | | | | (unaudited) |
| Option C | 30,944 | — | — | — | 30,944 |
| Option D | 30,944 | — | — | — | 30,944 |
| Option E | 30,944 | — | — | — | 30,944 |
| Option G | 1,664 | — | — | — | 1,664 |
| Option H | 28,216 | — | — | — | 28,216 |
| Option I | 22,776 | — | — | — | 22,776 |
| Option J | 27,776 | — | — | — | 27,776 |
| Option K | 39,216 | — | — | — | 39,216 |
| | <u>212,480</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>212,480</u> |
| Exercisable at the end of the period | <u>212,480</u> | | | | <u>212,480</u> |
| Weighted average exercise price (HK\$) | <u>0.289</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>0.289</u> |

22. CONTINGENT LIABILITIES

As at 30 June 2022 and 31 December 2021, the Group did not have any material contingent liabilities.

23. RELATED PARTY TRANSACTIONS

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

| | Six months ended | |
|---|------------------|--------------|
| | 30.6.2022 | 30.6.2021 |
| | RMB'000 | RMB'000 |
| | (unaudited) | (unaudited) |
| Directors' fee | 580 | 579 |
| Salaries and other allowances | 1,537 | 1,302 |
| Retirement benefit scheme contributions | 66 | 63 |
| | <u>2,183</u> | <u>1,944</u> |

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30 June 2022 (the “Current Period”), the Group’s total revenue amounted to approximately RMB113.8 million, decreased approximately 47.5% from approximately RMB216.8 million for the six months ended 30 June 2021 (the “Corresponding Period”), mainly due to the shutdowns of some locations in the PRC where the central government enforced “zero-COVID” policy to hit highly infectious Omicron variant, including the Group’s principal business location Tianjin as well as its newly nurturing high potential market — Shanghai, which significantly pressured by dragging down the demand for liquefied natural gas (“LNG”). The New Energy Business continued to contribute over 99% to the Group’s total revenue.

A net loss after tax of approximately RMB27.2 million was recorded for the Current Period as compared to a net loss after tax of approximately RMB123.6 million recorded in the Corresponding Period, mainly caused by the decrease in allowance of impairment on trade receivables from approximately RMB126.9 million in Corresponding Period to approximately RMB11.0 million for the Current Period due to no significant increase in overdue trade receivables balance as at 30 June 2022 when compared to as at 31 December 2021.

As disclosed in the Annual Report 2021, the Group faced difficulty of the collections of trade receivables due to the economic instability under novel coronavirus (“COVID-19”), the customers of the Group slowed down their repayment. The delay of payment and overdue balance led to an increase in expected credit loss rates in 2020 and 2021. The Group’s management had assigned additional manpower to the collection team.

The decrease in net loss was offset by fair value losses of convertible bonds of approximately RMB5.2 million for the Current Period (Corresponding Period: fair value gains of approximately RMB8.8 million).

Loss and total comprehensive income attributable to owners of the Company for the Current Period amounted to approximately RMB25.6 million compared to loss and total comprehensive income attributable to owners of the Company RMB109.9 million recorded for the Corresponding Period.

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.

The Group believes that diversification and expansion of the business both in terms of scopes and footprints are the best strategies to lessen 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 and management of customer's LNG supply station, the city shutdown policy substantially limit the accesses to customers and significantly drag down the demand for the LNG products.

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 strategic cooperation with a wholly-owned subsidiary of a top Fortune Global 500 company, namely Jiangsu Shagang Group Co., Ltd. has commenced operation in April 2022 via supplying the partner with LNG and managing its LNG supply station. The Group expects an increased contribution following the successful setup for scalability in 2023.

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 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 RMB113.8 million, representing a decrease of 47.5% from approximately RMB216.8 million for the Corresponding Period. The decrease was mainly attributable to the decrease in revenue of approximately RMB103.1 million from New Energy Business during the Current Period.

Cost of Sales

The cost of sales for New Energy Business amounted to approximately RMB118.1 million (Corresponding Period: approximately RMB220.8 million). The decrease was mainly attributable to the decrease in cost in LNG supply during the Current Period.

Gross Loss Margin

Gross loss represents revenue less cost of sales. Gross loss margin of the New Energy Business segment increased from 1.9% for the Corresponding Period to 4.0% for the Current Period. The intense price competition and price fluctuation of LNG led to a thin margin which could not cover the fixed direct cost for both periods.

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

Other (Losses)/Gains

Other losses of approximately RMB6.9 million were recorded in the Current Period as compared to other gains of approximately RMB8.8 million in the Corresponding Period, mainly due to the fair value losses of Convertible Bonds of approximately RMB5.2 million recognised in the Current Period (Corresponding Period: fair value gains of approximately RMB8.8 million).

Administrative Expenses

Administrative expenses decreased by 16.3% from approximately RMB12.5 million for the Corresponding Period to approximately RMB10.4 million for the Current Period. The decrease was due to the cost saving measures.

Income Tax (Expense)/Credit

Income tax expense was recorded approximately RMB0.01 million (Corresponding Period: income tax credit of approximately RMB5.3 million). For Corresponding Period, it was derived from the effect of deferred tax asset provided on the allowance of impairment on trade receivables and over-provision of PRC income tax in prior periods.

Loss and Total Comprehensive Income Attributable to Non-controlling Interests

Loss and total comprehensive income attributable to non-controlling interests decreased by 88.5% from approximately RMB13.7 million for the Corresponding Period to approximately RMB1.6 million for the Current Period. This was mainly attributable to the net loss recorded by the non-wholly owned subsidiaries in Tianjin for the Current Period.

Loss and Total Comprehensive Income Attributable to Owners of the Company

Loss and total comprehensive income attributable to owners of the Company recorded a decrease by 76.7% from approximately RMB109.9 million for the Corresponding Period to approximately RMB25.6 million for the Current Period.

Basic and diluted loss per share for the Current Period were both RMB0.007, as compared to basic and diluted loss per share of RMB0.030 for the Corresponding Period.

Related Party Transactions and Connected Transactions

During the Current Period, all transactions as set out in note 23 of the interim financial information were entered into by the Group in the ordinary and usual course of business and on normal commercial terms.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2022, cash and cash equivalents maintained by the Group were approximately RMB53.4 million, representing a decrease of 12.1% from approximately RMB60.8 million as at 31 December 2021.

Trade and other receivables were approximately RMB212.9 million, decreased by 7.9% from approximately RMB231.3 million as at 31 December 2021, which mainly represented the effect of allowance of impairment on trade receivables and collection of trade receivables.

Trade and other payables decreased from approximately RMB128.0 million as at 31 December 2021 to approximately RMB117.8 million as at 30 June 2022, by 7.9%, mainly represented the decrease in trade payables from the New Energy Business.

Tax liabilities amounted to approximately RMB1.4 million as at 30 June 2022 and 31 December 2021.

As a result of the above mentioned, the Group's current assets and current liabilities as at 30 June 2022 were approximately RMB266.3 million and approximately RMB121.7 million (31 December 2021: approximately RMB292.0 million and approximately RMB132.5 million) respectively.

The Group has no bank borrowings as at 30 June 2022. Gearing ratio of the Group, measured as convertible bonds to total equity, was 71.8% as at 30 June 2022 (31 December 2021: 54.5%). The Group recorded net assets of approximately RMB117.5 million as at 30 June 2022 as compared to approximately RMB144.7 million as at 31 December 2021. The decrease was mainly due to the net loss recorded during the Current Period. During the Current Period, the Group financed its operations mainly with the funds from issuance of the Convertible Bonds and its internal resources.

PROSPECTS

The green energy LNG is the future energy alternative and therefore the growth potential remains enormous in the country. The prolonged pandemic delays the overall development of industrial and business activities. The Group's top forward priority remains on track to 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.

As 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. 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 and LNG supply station management service.

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 June 2022, 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 June 2022, the Company has utilized approximately HK\$45.4 million (equivalent to approximately RMB38.9 million) for general working capital of the Group and approximately HK\$15.2 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 June 2022 is set out as follows:

| Net proceeds raised | Proposed use of proceeds | Utilised proceeds up to 30 June 2022 | Unutilised proceeds up to 30 June 2022 | 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 RMB38.9 million | approximately RMB2.5 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 June 2022, the Company had an aggregate of 3,666,936,000 shares of HK\$0.00125 each in issue.

DIVIDENDS

The Board does not recommend the payment of any dividend for both periods.

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 on 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 purposes (Corresponding Period: Nil).

LITIGATION

As at 30 June 2022, the Group did not have any litigation.

CONTINGENT LIABILITIES

As at 30 June 2022, the Group did not have any material contingent liabilities (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 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 announcement.

PLEDGE OF ASSETS

As at 30 June 2022, the Group did not have any mortgage or charge over its assets (31 December 2021: Nil).

EMPLOYMENT AND REMUNERATION OF EMPLOYEES

As at 30 June 2022, the Group has 33 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.

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 option granted pursuant to the Scheme. The maximum number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the shares in issue upon the date of which the shares are listed and permitted to be dealt in the Stock Exchange. The 10% limit may be refreshed at any time by approval of the Company’s shareholders provided that the total number of shares which may be issued upon exercise of all options to be granted under all of the schemes of the Company under the limit as “refreshed” must not exceed 10% of the shares in issue as at the date of approval of the limit. The total number of shares issued and to be issued upon exercise of the options granted to a participant under the Scheme (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares in issue from time to time.

During the year 2014, the Company 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 June 2022, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 212,480,000 (31 December 2021: 212,480,000), representing 5.8% (31 December 2021: 5.8%) 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 June 2022, are as follows:

| | Number of share options | | | | | Exercise period | Exercise price HK\$ | Closing price immediately before the date of grant HK\$ |
|---|-------------------------|------------------------------|-----------------------------------|--|--------------------------------------|----------------------------|------------------------|---|
| | At 1 January 2022 | Granted during the period | Exercised during the period | Cancelled/ forfeited during the period | Outstanding as at 30 June 2022 | | | |
| 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 | 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 | 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 | 92,832,000 | — | — | — | 92,832,000 | | | |
| 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 | 212,480,000 | — | — | — | 212,480,000 | | | |
| Exercisable at the end of the period | | | | | 212,480,000 | | | |

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

At 30 June 2022, 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 | 14.92% |
| Ms. Lin Min, Mindy | 2 | Interest of controlled corporation and beneficial owner | 493,456,000 | 13.46% |
| Mr. Chan Wing Yuen, Hubert | | Beneficial owner | 22,400,000 | 0.61% |
| Ms. Kwong Wai Man, Karina | | Beneficial owner | 22,400,000 | 0.61% |
| 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 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 | 34,344,000 |
| Ms. Lin Min, Mindy | Beneficial owner | 8,640,000 |
| Ms. Kwong Wai Man, Karina | Beneficial owner | 34,344,000 |
| Ms. Ma Lee | Beneficial owner | 3,432,000 |
| Mr. Lau Kwok Kee | Beneficial owner | 3,432,000 |

Note: The outstanding share options 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 announcement.

Saved as disclosed above, as at 30 June 2022, 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 June 2022, so far as is known to the Directors, the following persons not being the 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 <i>(note 1)</i> | Beneficial owner | 640,000,000 | — | 17.45% |
| Mr. Song Zhi Cheng <i>(note 2)</i> | Interest of controlled corporation | 640,000,000 | — | 17.45% |
| Smart Lane Global Limited <i>(note 3)</i> | Beneficial owner | 448,000,000 | — | 12.22% |
| Uprise Global Investments Limited <i>(note 4)</i> | Beneficial owner | 448,000,000 | — | 12.22% |
| Blossom Merit Limited <i>(note 5)</i> | Beneficial owner | 219,112,000 | — | 5.98% |
| Mr. Chan Tai Neng <i>(note 6)</i> | Interest of controlled corporation | 219,112,000 | — | 5.98% |

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 British Virgin Islands on 6 July 2011 with limited liability is an investment holding company where the entire issued share capital of which is held by Mr. Chan Tai Neng and Mr. Cheung Chi Keung (both being former executive Directors) in the proportion of 90% and 10% respectively as at the 30 September 2017.
6. Mr. Chan Tai Neng is deemed to be interested in 219,112,000 shares held by Blossom Merit Limited. The issued share capital of Blossom Merit Limited is owned 90% by Mr. Chan Tai Neng and 10% by Mr. Cheung Chi Keung, (both being former executive Directors).

During the Current Period, there were no debt securities issued by the Group and the Company at any time.

Save as disclosed above, as at 30 June 2022, 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 of its 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS (“THE MODEL CODE”)

The Company has adopted its code of conduct regarding the securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company also has made specific enquiries of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding the securities transactions by Directors for the six months ended 30 June 2022.

CORPORATE GOVERNANCE

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

The Directors are of the opinions that the Company and the Board have complied with the Corporate Governance Code throughout the Current Period.

AUDIT COMMITTEE AND INDEPENDENT REVIEW BY EXTERNAL AUDITOR

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 D.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 things, are to make recommendation to the Board on the appointment, re-appointment and removal of external auditor; review the financial statements and material advice in respect of financial reporting; oversee internal control procedures and risk management matters of the Company.

As at 30 June 2022, 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 results announcement and interim report for the six months ended 30 June 2022 and is of the opinion that the preparation of such statements complied with the applicable accounting standards and that adequate disclosures have been made. 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.

The Group’s external auditor, RSM Hong Kong, has been appointed to review the interim financial information. On the basis of their review, they are not aware of any material modifications that should be made to the interim financial information for the six months ended 30 June 2022.

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

Hong Kong, 9 August 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 <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>.