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

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 8246)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

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 is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2019 (the "Current Period"), together with the unaudited comparative figures for the six months ended 30 June 2018 (the "Corresponding Period") as follows:

FINANCIAL HIGHLIGHTS

	For the period ended 30.6.2019		For the period ended 30.6.2018		Increase/ (decrease)
	RMB'000	***HK\$'000*** [#]	*RMB'000*	*HK\$'000* [*]	
From continuing operations					
Revenue	**211,105**	**239,984**	94,983	112,659	122.3%
Gross profit[(a)]	**67,339**	**76,551**	60,908	72,243	10.6%
Profit and total comprehensive income for the period	**38,724**	**44,021**	23,944	28,400	61.7%
Profit and total comprehensive income attributable to owners of the Company	**32,445**	**36,883**	19,627	23,280	65.3%
EBIT	**55,497**	**63,089**	40,565	48,114	36.8%
EBITDA	**62,107**	**70,603**	45,062	53,448	37.8%
Earnings per share Basic and Diluted	**RMB0.009**	**HK\$0.010**	RMB0.005	HK\$0.006	80.0%
From continuing and discontinued operations					
Revenue	**226,022**	**256,942**	116,496	138,176	94.0%
Gross profit[(a)]	**70,046**	**79,628**	64,077	76,002	9.3%
Profit and total comprehensive income for the period	**38,825**	**44,136**	22,252	26,393	74.5%
Profit and total comprehensive income attributable to owners of the Company	**32,546**	**36,998**	17,935	21,273	81.5%
EBIT	**55,602**	**63,208**	38,879	46,114	43.0%
EBITDA	**65,694**	**74,681**	43,546	51,650	50.9%
Earnings per share Basic and Diluted	**RMB0.009**	**HK\$0.010**	RMB0.005	HK\$0.006	80.0%
Dividend	**Nil**	**Nil**	Nil	Nil	N/A

	As at 30.6.2019		As at 31.12.2018		Increase/ (decrease)
	RMB'000	*HK$'000* #	*RMB'000*	*HK$'000* Δ	
Total assets	**642,003**	**729,829**	679,951	776,028	(5.6%)
Net assets	**457,916**	**520,559**	425,703	485,855	7.6%
Bank balances and cash	**59,275**	**67,384**	206,007	235,116	(71.2%)
Equity attributable to owners of the Company	**395,187**	**449,249**	369,253	421,428	7.0%

Key Financial Indicators	**2019**	2018
From continuing operations		
Gross profit margin(b)	**31.9%**	64.1%
Net profit margin(c)	**18.3%**	25.2%
Return on average equity(d)	**8.5%**	6.9%
From continuing and discontinued operations		
Gross profit margin(b)	**31.0%**	55.0%
Net profit margin(c)	**17.2%**	19.1%
Return on average equity(d)	**8.5%**	6.3%
Current ratio (times)(e)	**3.1**	2.3
Net gearing ratio(f)	**0.0%**	0.6%

Note:

(a) The calculation of gross profit is based on revenue minus cost of sales.

(b) The calculation of gross profit margin is based on gross profit divided by revenue.

(c) The calculation of net profit margin is based on profit for the period divided by revenue.

(d) The calculation of return on average equity is based on profit 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 total debt divided by total equity.

Converted to HK$ at exchange rate of RMB = HK$1.1368 on 30 June 2019 for reference

* Converted to HK$ at exchange rate of RMB = HK$1.1861 on 30 June 2018 for reference

Δ Converted to HK$ at exchange rate of RMB = HK$1.1413 on 31 December 2018 for reference

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 June 2019

	Notes	**Six months ended 30.6.2019 *RMB'000* (audited)**	Six months ended 30.6.2018 *RMB'000* (unaudited and restated)
Continuing operations			
Revenue	*3*	**211,105**	94,983
Cost of sales		**(143,766)**	(34,075)
Gross profit		**67,339**	60,908
Other income	*4*	**6,261**	3,054
Other gains and losses	*5*	**432**	(313)
Administrative expenses		**(18,432)**	(23,084)
Interest on lease liabilities		**(103)**	–
Profit before tax	*7*	**55,497**	40,565
Income tax expense	*8*	**(16,773)**	(16,621)
Profit and total comprehensive income for the period from continuing operations		**38,724**	23,944
Discontinued operation			
Profit (loss) for the period from discontinued operation	*6B*	**101**	(1,692)
Profit and total comprehensive income for the period		**38,825**	22,252
Profit (loss) and total comprehensive income (expense) attributable to the owners of the Company:			
– from continuing operations		**32,445**	19,627
– from discontinued operation		**101**	(1,692)
Profit and total comprehensive income attributable to the owners of the Company		**32,546**	17,935
Profit and total comprehensive income attributable to non-controlling interests:			
– from continuing operations		**6,279**	4,317
		38,825	22,252
Earnings per share	*10*		
From continuing and discontinued operations			
Basic		**RMB0.009**	RMB0.005
Diluted		**RMB0.009**	RMB0.005
From continuing operations			
Basic		**RMB0.009**	RMB0.005
Diluted		**RMB0.009**	RMB0.005

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Notes	30.6.2019 RMB'000 (audited)	31.12.2018 RMB'000 (audited)
Non-current assets			
Property, plant and equipment		**73,009**	80,650
Investment properties		**9,910**	9,910
Right-of-use assets		**4,779**	–
Rental deposits		**377**	1,465
Interest in an associate		**–**	–
Amount due from an associate		**–**	–
		88,075	92,025
Current assets			
Inventories		**–**	3,459
Trade and other receivables	*11*	**494,653**	378,460
Bank balances and cash		**59,275**	206,007
		553,928	587,926
Current liabilities			
Trade and other payables	*12*	**155,076**	218,068
Contract liabilities		**–**	9,569
Amount due to a shareholder		**–**	2,726
Lease liabilities		**2,253**	–
Dividend payable		**15,528**	–
Tax liabilities		**8,697**	23,885
		181,554	254,248
Net current assets		**372,374**	333,678
Non-current liabilities			
Lease liabilities		**2,533**	–
Net assets		**457,916**	425,703
Capital and reserves			
Share capital		**3,574**	3,553
Reserves		**391,613**	365,700
Equity attributable to owners of the Company		**395,187**	369,253
Non-controlling interests		**62,729**	56,450
Total equity		**457,916**	425,703

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Attributable to owners of the Company							
	Share capital	Share premium	Share option reserve	Retained profits	Special reserve	Total	Non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2018 (audited)	3,540	8,240	14,274	242,913	528	269,495	25,166	294,661
Profit and total comprehensive income for the period	–	–	–	17,935	–	17,935	4,317	22,252
Acquisition of assets through acquisition of a non-wholly owned subsidiary	–	–	–	–	–	–	17,433	17,433
Recognition of equity-settled share based payments	–	–	9,661	–	–	9,661	–	9,661
At 30 June 2018 (unaudited)	3,540	8,240	23,935	260,848	528	297,091	46,916	344,007
Profit and total comprehensive income for the period	–	–	–	64,954	–	64,954	9,534	74,488
Exercise of share options	13	4,261	(1,340)	–	–	2,934	–	2,934
Forfeiture of share options	–	–	(990)	–	–	(990)	–	(990)
Recognition of equity-settled share based payments	–	–	5,264	–	–	5,264	–	5,264
At 31 December 2018 (audited)	3,553	12,501	26,869	325,802	528	369,253	56,450	425,703
At 1 January 2019 (audited)	**3,553**	**12,501**	**26,869**	**325,802**	**528**	**369,253**	**56,450**	**425,703**
Profit and total comprehensive income for the period	**–**	**–**	**–**	**32,546**	**–**	**32,546**	**6,279**	**38,825**
Exercise of share options	**21**	**6,333**	**(1,855)**	**–**	**–**	**4,499**	**–**	**4,499**
Forfeiture of share options	**–**	**–**	**(182)**	**–**	**–**	**(182)**	**–**	**(182)**
Recognition of equity-settled share based payments	**–**	**–**	**4,590**	**–**	**–**	**4,590**	**–**	**4,590**
Dividends recognised as distribution *(note 9)*	**–**	**–**	**–**	**(15,519)**	**–**	**(15,519)**	**–**	**(15,519)**
At 30 June 2019 (audited)	**3,574**	**18,834**	**29,422**	**342,829**	**528**	**395,187**	**62,729**	**457,916**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

1. GENERAL

Zhonghua Gas Holdings Limited (the "Company") is an exempted company with limited liability incorporated in the Cayman Islands and its shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the principal place of business in Hong Kong is 23/F, Chinachem Century Tower, 178 Gloucester Road, Wanchai, Hong Kong.

The Company is an investment holding company. The principal activities of the subsidiaries of the Company are 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 liquefied natural gas ("LNG"), coupled with trading of new energy related industrial products ("New Energy Business") and the leasing of investment properties ("Property Investments"). During the period ended 30 June 2019, the Group disposed all of its entities, which engaged in restaurant operation ("Catering Business") to an independent third party, details are set out in note 6B. The financial results contributed by Catering Business are presented as results from discontinued operation.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the Company's functional currency.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS STANDARDS")

Application of new and amendments to IFRS Standards

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRS Standards issued by the International Accounting Standards Board ("IASB") which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's consolidated financial statements.

IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2015 - 2017 Cycle

Except as described below, the application of the new and amendments to IFRS Standards in the Current Period has had no material impact on the Group's performance and financial positions for the Current period and prior Periods and/or on the disclosures set out in these consolidated financial statements.

2.1 Impacts of application on IFRS 16 Leases

The Group has applied IFRS 16 for the first time in the current interim period. IFRS 16 superseded IAS 17 Leases ("IAS 17"), and the related interpretations.

Transition and summary of effects arising from initial application of IFRS 16

Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC - Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application; and

ii. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

On transition, the Group has made the following adjustments upon application of IFRS 16:

The Group recognised lease liabilities of RMB34,737,000 and right-of-use assets of RMB34,939,000 at 1 January 2019 by applying IFRS 16.C8(b)(ii) transition.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 5%.

As a lessee

	At 1 January 2019
	RMB'000
Operating lease commitments disclosed as at 31 December 2018	39,273
Lease liabilities discounted at relevant incremental borrowing rates	5%
Lease liabilities relating to operating leases recognised upon application of IFRS 16	34,737
Lease liabilities as at 1 January 2019	34,737
Analysed as	
Current	9,516
Non-current	25,221
	34,737

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Note	Right-of-use assets
		RMB'000
Right-of-use assets relating to operating leases recognised upon application of IFRS 16		34,737
Adjustments on rental deposits at 1 January 2019	*(a)*	202
		34,939
By class:		
Restaurant premises		30,796
Office premises		4,143
		34,939

Note:

(a) Before the application of IFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which IAS 17 applied. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, RMB202,000 was adjusted to refundable rental deposits paid and right-of-use assets.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018	**Adjustments**	**Carrying amounts under IFRS 16 at 1 January 2019**
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets			
Right-of-use assets	–	34,939	34,939
Rental deposits	1,465	(162)	1,303
Current assets			
Other receivables			
– Rental deposits	456	(40)	416
Current liabilities			
Lease liabilities	–	(9,516)	(9,516)
Non-current liabilities			
Lease liabilities	–	(25,221)	(25,221)

Note: For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 30 June 2019, movements in working capital have been computed based on opening statement of financial position as at 1 January 2019 as disclosed above.

New and amendments to IFRS Standards in issue but not yet effective

The Group has not early applied the following new and amendments to IFRS Standards that have been issued but are not yet effective:

IFRS 17	Insurance Contracts[1]
Amendments to IFRS 3	Definition of a Business[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1 and IAS 8	Definition of Material[4]

1 Effective for annual periods beginning on or after 1 January 2021.

2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

3 Effective for annual periods beginning on or after a date to be determined.

4 Effective for annual periods beginning on or after 1 January 2020.

Except for the new and amendments to IFRS Standards mentioned below, the directors of the Company anticipate that the application of all other new and amendments to IFRS Standards will have no material impact on the Group's financial position and performance and/or on disclosures in foreseeable future.

Amendments to IAS 1 and IAS 8 "Definition of Material"

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgements. The amendments also align the definition across all IFRS Standards and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

Revenue from each type of business from continuing operations for the six months ended 30 June 2019 and 2018 are as follows:

A. Disaggregation of revenue from contracts with customers

	Six months ended	
	30.6.2019	30.6.2018
	RMB'000	*RMB'000*
	(audited)	(unaudited and restated)
Segments	**New Energy Business**	New Energy Business
Types of goods or services		
New Energy Business		
Trading of industrial products	**–**	17,457
Construction related and consultancy services	**57,499**	77,471
Trading of LNG	**153,354**	–
Total	**210,853**	94,928
Timing of revenue recognition		
A point in time	**153,354**	17,457
Overtime	**57,499**	77,471
Total	**210,853**	94,928

During the six months ended 30 June 2019 and 2018, the management of the Group assessed the financial impact of the financing components related to the revenue from construction related and consultancy services and the amounts of consideration are adjusted for the effects of financing components unless the effects are considered immaterial.

Transaction price allocated to the remaining performance obligation for contracts with customers

All performance obligations for New Energy Business are for periods of one year or less. As permitted under IFRS15, the transaction price allocated to these unsatisfied contracts is not disclosed.

B. For the six months ended 30 June 2019 and 2018

	Six months ended	
	2019	2018
	RMB'000	*RMB'000*
	(audited)	(unaudited)
Continuing operations		
New Energy Business	**210,853**	94,928
Property Investments	**252**	55
	211,105	94,983

Segment information is presented below.

For the six months ended 30 June 2019, the information reported to the chief operating decision maker, i.e. the executive Directors of the Company ("CODM"), for the purposes of resource allocation and performance assessment are as follows:

(i) **New Energy Business** – represented the gross revenue from the principal activities of the subsidiaries of the Company which 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.

(ii) **Property Investments** – represented property rental income generated from investment properties located in Shanghai, the PRC.

As the Group disposed of all the PRC entities which were engaged in restaurants operation on 30 April 2019, the financial results contributed by the Catering Business represented the financial results during 1 January 2019 to 30 April 2019 and presented as results from discontinued operation. After that, the Catering Business was no longer existed for segment reporting to CODM. Comparative segment information was represented accordingly.

Six months ended 30 June 2019 (audited)

	New Energy Business *RMB'000*	**Property Investments** *RMB'000*	**Total** *RMB'000*
Continuing operations			
REVENUE			
External sales	**210,853**	**252**	**211,105**
RESULT			
Segment result	**69,433**	**231**	**69,664**
Unallocated corporate expenses			**(14,599)**
Net foreign exchange gain			**432**
Profit before tax			**55,497**

Six months ended 30 June 2018 (unaudited)

	New Energy Business *RMB'000*	Property Investments *RMB'000*	Total *RMB'000*
Continuing operations			
REVENUE			
External sales	94,928	55	94,983
RESULT			
Segment result	60,966	47	61,013
Unallocated corporate expenses			(20,135)
Net foreign exchange loss			(313)
Profit before tax			40,565

Other segment information

Six months ended 30 June 2019 (audited)

	New Energy Business *RMB'000*	**Property Investments** *RMB'000*	**Unallocated** *RMB'000*	**Total** *RMB'000*
Continuing operations				
Amounts included in the measure of segment profit or loss:				
Depreciation of property, plant and equipment	**5,190**	**–**	**176**	**5,366**
Depreciation of right-of-use assets	**597**	**–**	**648**	**1,245**
Interest on lease liabilities	**68**	**–**	**35**	**103**
Interest income	**(150)**	**–**	**(245)**	**(395)**

Six months ended 30 June 2018 (unaudited)

	New Energy Business *RMB'000*	Property Investments *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Continuing operations				
Amounts included in the measure of segment profit or loss:				
Depreciation of property, plant and equipment	4,323	–	174	4,497
Interest income	(66)	–	(71)	(137)

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the profit generated by each segment without allocation of certain gains and losses, and the expenses incurred by the Group's head office. This is the measure reported to the executive Directors of the Company for the purpose of resource allocation and performance assessment.

As information on the Group's segment assets and liabilities are not regularly provided to the executive Directors of the Company, segment assets and liabilities are not presented.

Geographical information

The Group's operations are mainly located in the PRC. Information about the Group's revenue from external customers and all of its non-current assets (excluding rental deposits) are presented based on the geographical locations of the customers and assets respectively.

	Revenue from external customers Six months ended 30 June		**Non-current assets**	
	30.6.2019	30.6.2018	**30.6.2019**	31.12.2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Continuing operations				
PRC	**211,105**	94,983	**84,736**	89,849
Hong Kong	**–**	–	**2,962**	711
	211,105	94,983	**87,698**	90,560

Information about major customers

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

	Six months ended	
	30.6.2019	30.6.2018
	RMB'000	*RMB'000*
	(audited)	(unaudited)
Customer A	**95,586**	N/A[1]
Customer B	**57,769**	21,084
Customer C	**N/A[1]**	13,001
Customer D	**N/A[1]**	10,094
Customer E	**N/A[1]**	14,873

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

4. OTHER INCOME

	Six months ended 30.6.2019 RMB'000 (audited)	30.6.2018 RMB'000 (unaudited and restated)
Continuing operations		
Rental and operation management service income	**5,395**	2,862
Interest income from banks	**154**	137
Interest income from loan receivable from an independent third party	**241**	–
Others	**471**	55
	6,261	3,054

5. OTHER GAINS AND LOSSES

	Six months ended 30.6.2019 RMB'000 (audited)	30.6.2018 RMB'000 (unaudited and restated)
Continuing operations		
Net foreign exchange gain (loss)	**432**	(313)

6A. LOSS ON LIQUIDATION OF A SUBSIDIARY

During the six months ended 30 June 2018, the Group liquidated Shanghai Yin Jia Food Products Company Limited (上海銀佳食品有限公司), a wholly owned subsidiary of the Company, which engaged in food production services to the Group's restaurants and trading of seafood and supplemental food products. The liquidation was completed on 6 February 2018, and resulted in a loss on liquidation of RMB115,000 for the period ended 30 June 2018.

The net assets of the liquidated subsidiary at the date of liquidation were as follows:

	RMB'000 (unaudited)
Analysis of assets liquidated:	
Inventories	12
Trade and other receivables	103
Loss on liquidation of a subsidiary *(note 6B)*	115

6B. DISCONTINUED OPERATION AND GAIN ON DISPOSAL OF SUBSIDIARIES

During the six months ended 30 June 2019, the Group disposed of Wealth Grade Limited and 上海富愷商務諮詢有限公司 ("Shanghai Fu Kai Commercial Consultation Company Limited"*), wholly owned subsidiaries of the Company, and its subsidiaries, which were engaged in the restaurants operation in the PRC and presented under "Catering Business" of the Group, to an independent third party at a cash consideration of RMB2,000,000. The disposal was completed on 30 April 2019 and resulted in a gain on disposal of subsidiaries amounted to RMB1,786,000.

The loss for the periods from the discontinued operation in respect of Catering Business is analysed as follow:

	Note	**Period from 1.1.2019 to 30.4.2019 (date of disposal)** ***RMB'000*** **(audited)**	Six months ended at 30.6.2018 *RMB'000* (unaudited)
Loss of Catering Business		**(1,685)**	(1,692)
Gain on disposal of of Catering Business		**1,786**	–
Profit (loss) for the periods from discontinued operation and attributed to owners of the Company		**101**	(1,692)
Revenue		**14,917**	21,513
Cost of sales		**(12,209)**	(18,344)
Gross profit		**2,708**	3,169
Other income		**3**	22
Other gains and losses		**(256)**	425
Administrative expenses		**(2,076)**	(2,719)
Selling and distributions		**(1,252)**	(2,468)
Impairment loss recognised in respect of property, plant and equipment		**(303)**	–
Interest on lease liabilities		**(504)**	–
Loss on liquidation of a subsidiary	*6A*	**–**	(115)
Loss before tax		**(1,680)**	(1,686)
Income tax expense		**(5)**	(6)
Loss for the period from discontinued operation and attributed to owners of the Company		**(1,685)**	(1,692)
Loss per share *(Note)*			
Basic		***(RMB0.001)***	*(RMB0.001)*
Diluted		***(RMB0.001)***	*(RMB0.001)*

Note: The denominators used are the same as those detailed in note 10 for both basic and diluted earnings per share.

* For identification purpose only.

Cash flows for the period from the discontinued operation are as follows:

	RMB'000 (audited)
For the period from 1 January 2019 to 30 April 2019 (date of disposal)	
Net cash inflow from in operating activities	**474**
Net cash inflow from in investing activities	**136**
Net cash outflow used in financing activities	**(2,582)**
Net cash outflow	**(1,972)**

	RMB'000 (unaudited)
For the period from 1 January 2018 to 30 June 2018	
Net cash outflow used in operating activities	(3,719)
Net cash inflow from in investing activities	416
Net cash outflow used in financing activities	(204)
Net cash outflow	(3,507)

Loss for the period from discontinued operation in respect of Catering Business been arrived at after charging (crediting):

	Period from 1.1.2019 to 30.4.2019 (date of disposal) ***RMB'000*** **(audited)**	Six months ended at 30.6.2018 *RMB'000* (unaudited)
Salaries and other allowances	**4,714**	6,574
Retirement benefit scheme contributions	**815**	1,240
Total staff costs	**5,529**	7,814
Less: included in cost of sales	**(3,880)**	(5,983)
	1,649	1,831
Auditors' remuneration	**7**	–
Depreciation of property, plant and equipment	**123**	170
Less: included in cost of sales	**(116)**	(38)
	7	132
Depreciation of right-of-use assets	**3,357**	–
Cost of inventories recognise as an expense	**4,856**	6,730

The carrying amounts of the assets and liabilities over which control was lost is disclosed as below:

	RMB'000 (audited)
Property, plant and equipment	1,725
Right-of-use assets	28,323
Inventories	2,639
Trade and other receivables	13,917
Bank balances and cash	3,022
Trade and other payables	(6,659)
Contract liabilities	(9,383)
Lease liabilities	(27,032)
Amount due to a shareholder	(3,738)
Tax payable	(2,600)
Net assets disposed	214

	RMB'000 (audited)
Gain on disposal of the Catering Business:	
Consideration received	2,000
Net assets disposed of	(214)
Gain on disposal	1,786
Net cash outflow arising on disposal:	
Cash consideration	2,000
Bank balances and cash disposed of	(3,022)
	(1,022)

7. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

	Six months ended	
	30.6.2019	30.6.2018
	RMB'000	*RMB'000*
	(audited)	(unaudited)
Profit before tax has been arrived at after charging the following:		
Directors' emoluments	**4,970**	6,191
Other staff cost:		
Salaries and other allowances	**3,645**	2,682
Retirement benefit scheme contributions, excluding those of Directors	**412**	362
Equity-settled share based payments, excluding those of Directors	**3,221**	6,841
Total staff costs	**12,248**	16,076
Auditors' remuneration	**1,056**	180
Depreciation of property, plant and equipment	**5,366**	4,497
Less: included in cost of sales	**(5,167)**	(4,304)
	199	193
Depreciation of right-of-use assets	**1,245**	–
Cost of inventories recognise as an expense	**125,463**	19,678

8. INCOME TAX EXPENSE

	Six months ended	
	30.6.2019	30.6.2018
	RMB'000	*RMB'000*
	(audited)	(unaudited)
Continuing operations		
Enterprise income tax in the PRC		
Current tax	**16,773**	16,287
Underprovision in prior period	**–**	334
	16,773	16,621

The Company was incorporated in the Cayman Islands and is exempted from income tax. It is not subject to tax in other jurisdictions.

Hong Kong

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime is insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods. No Hong Kong Profits Tax has been made as the Group's subsidiaries which operating in Hong Kong have incurred tax losses in both periods.

PRC

PRC subsidiaries located in Shanghai and Tianjin are subject to PRC Enterprise Income Tax ("EIT") at a rate of 25% for the six months ended 30 June 2019 and 2018.

A subsidiary operating in PRC was fulfilled "Small and Low-profit Enterprises" defined by Enterprise Income Tax Law of the People's Republic of China, and was registered with the local tax authority to be eligible to the reduced enterprise income tax rate of 20%.

9. DIVIDENDS

During the six months ended 30 June 2019, a final dividend in respect of the year ended 31 December 2018 of HK$0.5 cents per ordinary share, in an aggregate amount of HK$17,653,000 (equivalent to RMB15,519,000) was recognised as a distribution. The directors of the Company have determined that no dividend will be paid in respect of six months ended 30 June 2019 and 30 June 2018.

10. EARNINGS PER SHARE

From continuing operations

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

	Six months ended	
	30.6.2019	30.6.2018
	RMB'000	*RMB'000*
	(audited)	(unaudited)
Profit for the period attributable to owners of the Company	**32,546**	17,935
Less: Profit (loss) for the period from discontinued operation	**101**	(1,692)
Profit for the purpose of basic loss per share from continuing operations	**32,445**	19,627

The weighted average number of ordinary shares for the purpose of calculation of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

	Six months ended	
	30.6.2019	30.6.2018
	'000	*'000*
	(audited)	(unaudited)
Weighted average number of shares used in the calculation of basic earnings per share	**3,521,587**	3,499,520
Shares deemed to be issued in respect of:		
– Share options	**44,087**	34,119
Weighted average number of shares used in the calculation of diluted earnings per share	**3,565,674**	3,533,639

From continuing and discontinued operations

The calculation of the basic earnings per share from continuing and discontinued operations attributable to the owners of the Company is based on the following data:

	Six months ended	
	30.6.2019	30.6.2018
	RMB'000	*RMB'000*
	(audited)	(unaudited)
Earnings		
Earnings for the purpose of basic and diluted earnings per share		
Profit for the period attributable to owners of the Company	**32,546**	17,935

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

11. TRADE AND OTHER RECEIVABLES

Generally, there was no credit period for sales from the Catering Business, except for certain well established corporate customers for which the credit terms are up to 90 days.

For the construction related and consultancy services (included in New Energy Business), the settlement period according to the contract term is generally within one to two year after the completion of energy-related system design, construction related and consultancy work.

For the trading of industrial products and LNG (included in New Energy Business), the credit period granted to customers are 60 to 180 days.

The aged analysis of the Group's trade receivables for the construction related and consultancy services, net of allowance, based on invoice dates at the end of the reporting period, which approximately the respective contract completion date, is as follows:

	30.6.2019	31.12.2018
	RMB'000	*RMB'000*
	(audited)	(audited)
Trade receivables for construction related and consultancy services (included in New Energy Business):		
0 – 180 days	**54,968**	95,813
181 – 270 days	**–**	96,318
271 days – 1 year	**180,383**	56,717
Over 1 year but within 2 years	**60,491**	–
	295,842	248,848
Within settlement period	**240,875**	227,523
Past due	**54,967**	21,325
	295,842	248,848

The average duration to complete the contracts in respect of construction related and consultancy services are one to three months.

The aged analysis of the Group's trade receivables for trading of industrial products, trading of LNG and the Catering Business, net of allowances, based on invoice dates at the end of the reporting period, which approximated the respective revenue recognition dates, is as follows:

	30.6.2019	31.12.2018
	RMB'000	*RMB'000*
	(audited)	(audited)
Trade receivables for trading of industrial products and trading of LNG (included in New Energy Business)		
0 – 60 days	**73,613**	100,587
61 – 180 days	**104,763**	–
Over 180 days	**–**	373
	178,376	100,960
Trade receivables for Catering Business:		
0 – 30 days	**–**	979
31 – 60 days	**–**	157
61 – 90 days	**–**	90
91 – 120 days	**–**	3
121 – 150 days	**–**	2
151 – 180 days	**–**	14
Over 180 days	**–**	310
	–	1,555
Total trade receivables	**474,218**	351,363
Other receivables and deposits:		
Prepayments to suppliers	**3,275**	7,758
Prepayments for operating expenses	**3,078**	997
Value-added tax for purchases	**10,073**	8,308
Other receivables and deposits	**4,009**	4,749
Loan receivable *(note)*	**–**	5,285
	20,435	27,097
	494,653	378,460

Note: The loan receivable as at 31 December 2018 was made to an independent third party which was unsecured, interest bearing at 12% per annum and repayable in one year from the date of loan drawdown. The loan receivable was fully repaid during the period ended 30 June 2019.

12. TRADE AND OTHER PAYABLES

The credit period for trade purchases of the Catering Business is 30 to 60 days.

For the New Energy Business, the settlement period is stated in according to contract terms.

Ageing analysis of the Group's trade payables based on invoice date is as follows:

	30.6.2019	31.12.2018
	RMB'000	*RMB'000*
	(audited)	(audited)
Trade payables:		
0 – 30 days *(note)*	**57,140**	150,673
31 – 60 days	**–**	1,040
61 – 90 days	**810**	430
91 – 180 days	**3,757**	3,440
Over 180 days	**87,357**	47,410
	149,064	202,993
Other payables:		
Accruals	**2,965**	2,852
Other payables	**190**	7,450
Employee benefits payable	**90**	332
Other taxes payable	**2,767**	4,441
	6,012	15,075
	155,076	218,068

Note: Included in the amount represents trade payables of RMB46,382,000 (31.12.2018: RMB82,588,000) from the New Energy Business, which are not yet due at period/year end and are within the settlement period according to the contract terms, which is generally within one year after the completion of construction related and consultancy services works related to New Energy Business.

13. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF A NON-WHOLLY OWNED SUBSIDIARY

On 7 February 2018, the Group acquired certain assets and liabilities through acquisition of 81.8% equity interest in 天津津熱天然氣銷售有限公司 (Tianjin Jin Re Natural Gas Sales Company Limited) for a cash consideration of RMB78,400,000 (equivalent to approximately HK$94,394,000) from independent third parties. Tianjin Jin Re Natural Gas Sales Company Limited is permitted to engage in sale of natural gas; gas pipeline engineering; sale, installation and maintenance of gas transmission equipment; development, consultation, service and transfer of heat supply technology: development of new energy technology; leasing and commercial services industry; installation of electric and mechanical equipment; and centralized urban heat supply service.

Details of the net assets acquired in the transaction were as below:

	RMB'000
Property, plant and equipment	87,008
Other receivables	9,993
Bank balances and cash	3
Other payables	(1,171)
Net assets	95,833
Less: non-controlling interests	(17,433)
Total cash consideration	78,400
Net cash outflow arising on acquisition:	
Consideration paid in cash	78,400
Less: bank balances and cash acquired	(3)
	78,397

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Current Period, the Group achieved outstanding results and the New Energy Business has continued to be the key growth driver, following the completion of the disposal of the wholly-owned subsidiaries that were involved in management service, restaurant operation and food trading on 30 April 2019.

Riding on the satisfactory performance in the first quarter of 2019, total revenue from continuing operation recorded a 122.3% year-on-year increase from RMB95.0 million to RMB211.1 million in the Current Period. The growth was driven by a surge in revenue from the New Energy Business, primarily brought by the trading of Liquefied Natural Gas (LNG). The Group recorded contribution from the New Energy Business to total revenue 99.9% for the both period in 2018 and 2019, reflecting its important role in the operations. Gross profit of the New Energy Business dropped due to a thinner gross profit margin of LNG trading business compared to that of construction related and consultancy services. Net profit after tax showed an outstanding growth of over 61.7% to RMB38.7 million and profit attributable to the owners of the Company recorded over 65.3% increase to RMB32.4 million as compared to the Corresponding Period.

New Energy Business

During the Current Period, the Group conducted successful business restructuring and will continue to remain focus on developing and expanding the New Energy Business with an objective to maximize the profitability of the Group as a whole. The Group was engaged in the provision of diverse integrated new energy services including technological development, construction related and consultancy services in relation to heat supply and coalto-natural gas conversion, supply of LNG, coupled with trading of new energy related industrial products.

Since the transformation, the New Energy Business has been grown fast and accelerated to take up a substantial 99.9% of total revenue in the Current Period. The two primary sources of revenue, namely LNG trading and consultancy services in new energy related construction works, accounted for approximately 72.6% and 27.3% of the Group's total revenue respectively. The plans implemented to strengthen team capability and sales platforms has brought encouraging results. The cooperation with one of the world's largest engineering and consultancy company, Tractebel Engineering S.A. ("Tractebel"), Tianjin Jinre Heat Supply Group Co. Ltd. ("Jinre Group") also allowed the Group to explore and expedite further collaboration with top industry players in fields of technological and infrastructure-related business.

During the period, the Group provided construction related and consultancy services in several engineering projects including a heat supply planning project and a coal-to-gas construction project.

Catering Business

Revenue derived from the Group's Catering Business has been going downward in the Corresponding Period. On 31 March 2019, the Group closed down two restaurants in Shanghai, i.e. Noble House Xuhui Restaurant, Shanghai (上海徐匯店) and the Noble House Luwan Restaurant, Shanghai (上海盧灣店). Having carefully considered different facets of the Catering Business operations and given the fast-growing New Energy Business, the Group had decided to dispose the whole Catering Business as the Directors do not foresee a significant turnaround in the near future. On 30 April 2019, the Group completed the disposal of the wholly-owned subsidiaries that were involved in management service, restaurant operation and food trading. The financial results contributed by the Catering Business are presented as results from discontinued operation during the Current Period and certain comparative amounts have been restated to confirm with Current Period's presentation. For further details, please refer to the announcement of the Company dated 30 April 2019.

Property Investments

Currently, the Group owns two office premises on Beijing Road West, Jing An District in Shanghai. Both premises continued to be on medium term lease during the Current Period and both generating stable rental income for the Group.

FINANCIAL REVIEW

Continuing Operations

Revenue

For the Current Period, revenue from continuing operations of the Group amounted to RMB211.1 million, representing a significant increase of 122.3% from RMB95.0 million for the Corresponding Period. The increase was mainly attributable to RMB115.9 million increase in revenue of the New Energy Business during the Current Period.

New Energy Business

For the Current Period, the Group recognized revenue of RMB210.9 million (Corresponding Period: RMB94.9 million) from the New Energy Business segment, accounting for 99.9% (Corresponding Period: 99.9%) of the Group's total revenue. It was mainly attributable to the income of LNG trading and the completion of a number of construction consultancy projects in relation to the coal-to-gas heat supply in Tianjin during the Current Period.

Property Investments

The Property Investments segment recorded revenue of RMB0.3 million (Corresponding Period: RMB0.1 million).

Cost of Sales

The cost of sales for New Energy Business sharply increased to RMB143.8 million as compared to RMB34.1 million in the Corresponding Period. The increase mainly represented the cost incurred from diversifying of the New Energy Business to the trading of LNG during the Current Period.

Gross Profit Margin

Gross profit represents revenue less cost of sales. Gross profit margin of the New Energy Business segment decreased from 64.1% for the Previous Period to 31.8%, due to the thinner gross profit margin of the LNG trading than the provision of construction consultancy services.

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

Other Gains and Losses

Other gains of RMB0.4 million were recorded in the Current Period compared to other losses of RMB0.3 million in the Corresponding Period, mainly due to the decrease of the net foreign exchange loss in the Current Period.

Administrative Expenses

Administrative expenses decreased by 20.2% from RMB23.1 million for the Corresponding Period to RMB18.4 million for the Current Period. The decrease was owing to a reduction in the amortized cost of share-based payment expenses in the Current Period in connection with the grant of share options in June 2017.

Income Tax Expense

Income tax expense was RMB16.8 million (Corresponding Period: RMB16.6 million) from mainly the provision for enterprise income tax of subsidiaries in Tianjin.

Discontinued Operations

On 30 April 2019, the Group completed disposal whole of its Catering Business through the disposal of certain subsidiaries (the "Disposal Group") to an independent third party at a cash consideration of RMB2.0 million. The buyer repaid the amount due from the Disposal Group to the Group of RMB0.4 million out of the consideration for the Disposal. A gain on the disposal was recorded RMB1.8 million. During the Current Period, the Disposal Group generated a total profit of RMB0.1 million as compare of total loss of RMB1.7 million in the Corresponding Period.

Non-controlling Interests

Non-controlling interests increased by 45.45% from RMB4.3 million for the Corresponding Period to RMB6.3 million for the Current Period. This was mainly attributable to the increase in the net profit recorded by the non-wholly owned subsidiaries in Tianjin for the Current Period.

Profit and Total Comprehensive Income Attributable to the Owners of the Company

Net profit and total comprehensive income attributable to the owners of the Company recorded an increase by 81.5% from RMB17.9 million for the Corresponding Period to RMB32.5 million for the Current Period. Basic and diluted earnings per share were both RMB0.9 cents, as compared to RMB0.5 cents in the Corresponding Period.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2019, bank balances and cash maintained by the Group were RMB59.3 million, representing a decrease of 71.2% from RMB206.0 million as at 31 December 2018, which was largely due to settlement of overdue trade payables and the provision of tax liabilities for last year.

Trade and other receivables were RMB494.7 million, up by 30.7% from RMB378.5 million as at 31 December 2018, which mainly represented the increase in trade receivables from the New Energy Business.

Trade and other payables decreased from RMB218.1 million as at 31 December 2018 to RMB155.1 million as at 30 June 2019, or 28.9%, which mainly attributable to settlement in trade payables.

Contract liabilities and Amount due to a shareholder dropped to zero after the Group completed the disposal of the Catering Business. Tax liabilities decreased from RMB23.9 million as at 31 December 2018 to RMB8.7 million as at 30 June 2019, or 63.6%, due to the settlement of tax payable for last year.

As a result, the Group's current assets and current liabilities as at 30 June 2019 were RMB553.9 million and RMB181.6 million (31 December 2018: RMB587.9 million and RMB254.2 million) respectively.

The Group has no bank borrowings as at 30 June 2019. Gearing ratio of the Group, measured as total debt to total equity, dropped to zero as at 30 June 2019 (31 December 2018: 0.6%). The Group recorded net assets of RMB457.9 million as at 30 June 2019 compared to RMB425.7 million as at 31 December 2018. The increase was mainly due to the net profit recorded during the Current Period, recognition of equity-settled share based payments, increased in equity by exercise of share options and net off the effect of dividend recognized as distribution. During the Current Period, the Group financed its operations mainly with funds from internal resources.

PROSPECTS

In view of the satisfactory performance of the New Energy Business in the first half year of 2019, the Group will continue to strive to actively expand in the LNG trading segment, which is currently the Group's main revenue source after the business transformation. In order to firmly grasp future business expansion in the sector, not only will the Group step up the efforts in LNG trading in existing operating locations, but also eye on developing the LNG trading business in other potential regions in the PRC and extend our footprints worldwide. Identifying suitable LNG suppliers locally and globally and delivering LNG products will be of the Group's first priority in near future.

While continuing our partnership with existing partners, the Group also aims to build up strong relationship with new partners in order to cater to future needs and foster further business opportunities. The Group will also pursue long term cooperation with our key partners, especially Tractebel, the leading engineering and consultancy companies, to diversify our business scope and enhance services, while seeking for collaboration projects in possible areas of LNG trading. Apart from LNG trading, the Group will also put its focus on capturing and developing new consultancy projects as it is one of its current major revenue sources.

As for Catering Business, the Group sees the complete disposal as a precious chance to focus its existing resources to develop the high return New Energy Business. The fast development and expansion of the new energy sector in the PRC has presented us enormous opportunities to expand our coverage and enhance our business profile and ultimately to build it into a leading diversified and integrated new energy service provider in the Greater China Region. The management strongly believes that it will continue to bring in promising contribution to the Group.

Lastly for Property Investments, the Group will go on engaging in active search for suitable premises for future investments while maintaining ownership in the current office premises in order to bring in stable long-term returns to shareholders.

CAPITAL STRUCTURE

During the Current Period, an aggregate of 19,568,000 shares were issued and allotted pursuant to the exercise of share options with exercise price of HK$0.289 and HK$0.10125 respectively. As at 30 June 2019, the Company had an aggregate of 3,530,536,000 shares of HK$0.00125 each in issue.

USE OF PROCEEDS FORM THE PLACING OF SHARES

The Company has successfully placed 56,000,000 new shares (i.e. 448,000,000 shares with par value of HK$0.00125 each after the Share Subdivision on 20 May 2016) to four subscribers (the "First Placing") at a subscription price of HK$0.65 per new shares on 28 November 2014 and 80,000,000 new shares (i.e. 640,000,000 shares with par value of HK$0.00125 each after the Share Subdivision on 20 May 2016) to one subscriber at the subscription price of HK$0.95 per subscription share (the "Second Placing") on 30 June 2015. The aggregate gross proceeds and net proceeds from the two placings are HK$112,400,000 (equivalent to RMB88,835,000) and HK$112,149,000 (equivalent to RMB88,638,000). The Company intended to use the net proceeds from the two placings as follows:

(i) HK$25,500,000 (equivalent to approximately RMB20,127,000) for any potential investment opportunities as identified by the Group; and

(ii) HK$86,649,000 (equivalent to approximately RMB68,511,000) as general working capital of the Group.

As at 30 June 2019, the Company utilized all of the proceeds HK$86,649,000 (equivalent to RMB68,511,000) for general working capital in the operation of the Group.

In addition, as at 30 June 2019, the Group utilized approximately HK$19,675,000 (equivalent to RMB16,200,000) out of the proceeds for potential investment for the establishment of a subsidiary in Tianjin in the second half of 2015.

The remaining net proceeds, being approximately HK$5,825,000 (equivalent to RMB5,124,000), is expected to be fully utilized for potential investment opportunities as identified by the Group by 2023. The Group will continue to identify any further potential investment opportunities. Detailed schedule depends on the overall economic conditions, the development of the Company and market situation.

DIVIDENDS

The Board did not recommend the payment of any dividend for the Current Period (Corresponding Period: Nil). A final dividend in respect of the year ended 31 December 2018 of HK$0.5 cents per ordinary share, in an aggregate amount of HK$17,653,000 (equivalent to RMB15,519,000), has been approved by the shareholders of the Company at the annual general meeting of the Company held on 28 June 2019 and was recognised as a distribution. The Company will distribute the 2018 final dividend to all shareholders whose names appear on the register of members of the Company on 17 July 2019, based on the total issued share capital of 3,530,536,000 shares. It is expected that the Company will distribute the 2018 final dividend on 15 August 2019.

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 Hong Kong dollars, while others were denominated in RMB. 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 2019, the Group did not have any litigation.

CONTINGENT LIABILITIES

As at 30 June 2019, the Group did not have any material contingent liabilities.

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

At the end of April 2019, the Group has entered into a Sale and Purchase Agreement to dispose two wholly-owned subsidiaries, which engaged in management service, restaurant operation and food trading, for a consideration of RMB2,000,000 (equivalent to approximately HK$2,331,000). The disposal was completed on 30 April 2019. The management believe that the disposal is commercially favorable to and allow the Group to focus its resources on the flourishing New Energy Business of the Group. For further details, please refer to the announcement of the Company dated 30 April 2019. There is no plan for material investments or capital assets as the date of this announcement.

PLEDGE OF ASSETS

As at 30 June 2019, the Group did not have any pledged assets. (31 December 2018: Nil).

AUDIT COMMITTEE

The current Audit Committee has three members comprising all the independent non-executive Directors, namely, Mr. Lui Tin Nang (chairman), Ms. Ma Lee and Mr. Lau Kwok Kee. The Group's interim results announcement and report for the period ended 30 June 2019 has been reviewed by the Audit Committee and have been agreed by the Group's Auditor, Messers. Deloitte Touche Tohmatsu, which was of the opinion that such results and report 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 practices as required under the GEM Listing Rules.

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and complied with all the Code Provisions under the Corporate Governance Practice contained in Appendix 15 of the GEM Listing Rules (the "Corporate Governance Code") throughout the Current Period. Except for the minor deviations from code provision A.6.7 as explained below. The Board will continue to review regularly and take appropriate actions to comply with the CG Code.

Under code provision A.6.7, the Board members should attend general meetings and develop a balanced understanding of the views of shareholders of the Company. Due to unavoidable business engagement, the Executive Chairman, one of the executive Directors and one of the non-executive Directors were unable to attend the Company's annual general meeting held on 28 June 2019.

Save 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 Period.

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 during the six months ended 30 June 2019.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Current Period, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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.

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

Hong Kong, 12 August 2019

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 Mr. Lui Tin Nang, Ms. Ma Lee and Mr. Lau Kwok Kee.

This announcement will remain on the GEM website at http://www.hkgem.com on the "Latest Company Announcements" page for at least seven days from the day of its posting and on the website of the Company at http://www.8246hk.com.