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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 2020**

**CHARACTERISTICS OF THE 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 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 announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2020 (the “Current Period”), together with the audited comparative figures for the six months ended 30 June 2019 (the “Corresponding Period”) as follows:

FINANCIAL HIGHLIGHTS

	For the period ended 30.6.2020		For the period ended 30.6.2019		(decrease)
	RMB'000	HK\$'000 [#]	RMB'000	HK\$'000*	
From continuing operations					
Revenue	68,762	75,281	211,105	239,984	(67.4%)
Gross profit ^(a)	186	204	67,339	76,551	(99.7%)
(Loss) profit and total comprehensive income for the period	(20,273)	(22,195)	38,724	44,021	(152.4%)
(Loss) profit and total comprehensive income attributable to owners of the Company	(19,412)	(21,252)	32,445	36,883	(159.8%)
(Loss) earnings before income tax	(20,945)	(22,931)	55,497	63,089	(137.7%)
(Loss) earnings before income tax and depreciation allowance	(15,588)	(17,066)	62,107	70,603	(125.1%)
(Loss) earnings per share basic and diluted	RMB(0.005)	HK\$(0.005)	RMB0.009	HK\$0.010	(155.6%)
From continuing and discontinued operations					
Revenue	68,762	75,281	226,022	256,942	(69.6%)
Gross profit ^(a)	186	204	70,046	79,628	(99.7%)
(Loss) profit and total comprehensive income for the period	(20,273)	(22,195)	38,825	44,136	(152.2%)
(Loss) profit and total comprehensive income attributable to owners of the Company	(19,412)	(21,252)	32,546	36,998	(159.6%)
(Loss) earnings before income tax	(20,945)	(22,931)	55,602	63,208	(137.7%)
(Loss) earnings before income tax and depreciation allowance	(15,588)	(17,066)	65,694	74,681	(123.7%)
(Loss) earnings per share basic and diluted	RMB(0.005)	HK\$(0.005)	RMB0.009	HK\$0.010	(155.6%)
Dividend	Nil	Nil	Nil	Nil	N/A

	As at 30.6.2020		As at 31.12.2019		(decrease)
	RMB'000	HK\$'000 [#]	RMB'000	HK\$'000 ^Δ	
Total assets	607,725	665,337	618,694	690,648	(1.8%)
Net assets	475,098	520,137	486,462	543,038	(2.3%)
Bank balances and cash	7,152	7,830	19,607	21,887	(63.5%)
Equity attributable to owners of the Company	<u>411,589</u>	<u>450,608</u>	<u>422,092</u>	<u>471,181</u>	<u>(2.5%)</u>

Key Financial Indicators	2020	2019
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From continuing operations

Gross profit margin ^(b)	0.3%	31.9%
Net (loss)/profit margin ^(c)	(29.5%)	18.3%
(Loss)/return on average equity ^(d)	(4.8%)	8.5%

**From continuing and
discontinued operations**

Gross profit margin ^(b)	0.3%	31.0%
Net (loss)/profit margin ^(c)	(29.5%)	17.2%
(Loss)/return on average equity ^(d)	(4.8%)	8.5%

Current ratio (times) ^(e)	4.0	4.1
Net gearing ratio ^(f)	<u>N/A</u>	<u>N/A</u>

Notes:

- (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 (loss)/profit margin is based on (loss)/profit for the period divided by revenue.
- (d) The calculation of (loss)/return on average equity is based on (loss)/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 RMB1 = HK\$1.0948 on 30 June 2020 for reference.

^{*} Converted to HK\$ at exchange rate of RMB1 = HK\$1.1368 on 30 June 2019 for reference.

^Δ Converted to HK\$ at exchange rate of RMB1 = HK\$1.1163 on 31 December 2019 for reference.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

		Six months ended 30.6.2020 RMB'000 (unaudited)	30.6.2019 RMB'000 (audited)
	NOTES		
Continuing operations			
Revenue	3	68,762	211,105
Cost of sales		(68,576)	(143,766)
Gross profit		186	67,339
Other income	4	11,311	6,261
Other gains	5	24	432
Administrative expenses		(13,022)	(18,432)
Impairment losses recognised in respect of trade receivable	15	(19,380)	–
Interest on lease liabilities		(64)	(103)
(Loss) profit before tax	7	(20,945)	55,497
Income tax credit (expense)	8	672	(16,773)
(Loss) profit and total comprehensive (expense) income for the period from continuing operations		(20,273)	38,724
Discontinued operation			
Profit for the period from discontinued operation	6	–	101
(Loss) profit and total comprehensive (expense) income for the period		(20,273)	38,825
(Loss) profit and total comprehensive (expense) income attributable to owners of the Company:			
– from continuing operations		(19,412)	32,445
– from discontinued operation		–	101
(Loss) profit and total comprehensive (expense) income attributable to owners of the Company		(19,412)	32,546
(Loss) profit and total comprehensive (expense) income attributable to non-controlling interests from continuing operations		(861)	6,279
		(20,273)	38,825
(Loss) earnings per share	10		
From continuing and discontinued operations			
Basic		RMB(0.005)	RMB0.009
Diluted		RMB(0.005)	RMB0.009
From continuing operations			
Basic		RMB(0.005)	RMB0.009
Diluted		RMB(0.005)	RMB0.009

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

	NOTES	30.6.2020 RMB'000 (unaudited)	31.12.2019 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	11	62,430	67,787
Investment properties	13	9,910	9,910
Right-of-use assets	12	2,083	4,148
Rental deposits		407	400
Deferred tax assets		3,715	–
		<u>78,545</u>	<u>82,245</u>
Current assets			
Trade and other receivables	14	522,028	516,842
Bank balances and cash		7,152	19,607
		<u>529,180</u>	<u>536,449</u>
Current liabilities			
Trade and other payables	16	122,892	114,677
Contract liabilities		4,149	4,149
Lease liabilities		1,241	2,516
Tax liabilities		3,476	9,204
		<u>131,758</u>	<u>130,546</u>
Net current assets		<u>397,422</u>	<u>405,903</u>
Non-current liability			
Lease liabilities		869	1,686
Net assets		<u>475,098</u>	<u>486,462</u>
Capital and reserves			
Share capital	17	3,666	3,635
Reserves		407,923	418,457
		<u>411,589</u>	<u>422,092</u>
Equity attributable to owners of the Company		63,509	64,370
Non-controlling interests		<u>63,509</u>	<u>64,370</u>
Total equity		<u>475,098</u>	<u>486,462</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Attributable to owners of the Company						Non-controlling interests	Total
	Share capital	Share premium	Share option reserve	Retained profits	Special reserve	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
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 (note 18)	21	6,333	(1,855)	–	–	4,499	–	4,499
Forfeiture of share options (note 18)	–	–	(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)	<u>3,574</u>	<u>18,834</u>	<u>29,422</u>	<u>342,829</u>	<u>528</u>	<u>395,187</u>	<u>62,729</u>	<u>457,916</u>
At 1 January 2020 (audited)	3,635	38,232	25,193	354,504	528	422,092	64,370	486,462
Loss and total comprehensive expenses for the period	–	–	–	(19,412)	–	(19,412)	(861)	(20,273)
Exercise of share options (note 18)	31	9,915	(2,857)	–	–	7,089	–	7,089
Recognition of equity-settled share based payments	–	–	1,820	–	–	1,820	–	1,820
At 30 June 2020 (unaudited)	<u>3,666</u>	<u>48,147</u>	<u>24,156</u>	<u>335,092</u>	<u>528</u>	<u>411,589</u>	<u>63,509</u>	<u>475,098</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	NOTE	30.6.2020 RMB'000 (unaudited)	30.6.2019 RMB'000 (audited)
NET CASH USED IN OPERATING ACTIVITIES		<u>(18,616)</u>	<u>(152,090)</u>
INVESTING ACTIVITIES			
Repayment of loan receivable		–	5,285
Interest received		4	391
Proceeds from disposal of property, plant and equipment		–	187
Payment of rental deposits		(5)	(42)
Net cash outflow arising on disposal of subsidiaries	6	–	(1,022)
Purchase of property, plant and equipment		<u>–</u>	<u>(63)</u>
NET CASH (USED IN) GENERATED FROM INVESTING ACTIVITIES		<u>(1)</u>	<u>4,736</u>
FINANCING ACTIVITIES			
Repayment of lease liabilities		(863)	(4,786)
Interest paid on lease liabilities		(64)	(103)
Proceeds from exercise of share options		7,089	4,499
Advance from a shareholder		<u>–</u>	<u>1,012</u>
NET CASH GENERATED FROM FINANCING ACTIVITIES		<u>6,162</u>	<u>622</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		(12,455)	(146,732)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		<u>19,607</u>	<u>206,007</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash		<u>7,152</u>	<u>59,275</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 (“IAS 34”) “Interim Financial Reporting” issued by the International Accounting Standards Board as well as with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

1A. SIGNIFICANT EVENTS AND TRANSACTIONS IN THE CURRENT INTERIM PERIOD

The outbreak of Covid-19 and the subsequent quarantine measures as well as the travel restrictions imposed by many countries have had negative impact to the global economy, business environment and directly and indirectly affect the operation of the Group. The imposition of various travel and work restrictions by the relevant authorities in the People Republic of China (“PRC”) hindered the negotiation and completion of new construction related and consultancy services projects and adversely affected the Group’s operation in the construction related and consultancy services. There was no revenue for construction related and consultancy services in interim period mainly attributed to travel and work restrictions. The outbreak of Covid-19 also resulted in the significant decrease in demand of LNG supply.

The outbreak of the Covid-19 not only threatened the operations of many industries and businesses, but also adversely impacted the economic development in the PRC. In face of the slowdown in the economic growth in the PRC, increment in allowances for expected credit loss of trade receivables was recognised.

On the other hand, the PRC government and Hong Kong Special Administrative Region Government has announced some financial measures and supports for corporate to overcome the negative impact arising from the pandemic. There was no significant impact on the financial positions and performance of the Group for the current interim period.

In addition, during the current interim period, its PRC subsidiaries received RMB5,562,000 subsidies from the PRC local government for encouragement of its New Energy Business, which has been recognised as other income during the interim period. In prior year, subsidies of same nature of RMB5,719,000 were received in the second half year of 2019.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties, which are measured at fair values, as appropriate.

Other than additional accounting policies resulting from application of amendments to International Financial Reporting Standards (IFRSs), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2019.

Application of amendments to IFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in IFRS Standards and the following amendments to IFRSs issued by the International Accounting Standards Board, for the first time which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the Amendments to References to the Conceptual Framework in IFRS Standards and the amendments to IFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2.1 Impacts of application on Amendments to IAS1 and IAS 8 “Definition of Material”

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements of the Group. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 December 2020.

2.2 Impacts and accounting policies on application of Amendments to IFRS 3 “Definition of a Business”

2.2.1 Accounting policies

Business combinations or asset acquisitions

Optional concentration test

Effective from 1 January 2020, the Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

2.2.2 Transition and summary of effects

The amendments had no impact on the condensed consolidated financial statements of the Group.

3. REVENUE AND SEGMENT INFORMATION

A. Disaggregation of revenue from contracts with customers

	Six months ended	
	30.6.2020	30.6.2019
Segments	New energy business	New energy business
	RMB'000	RMB'000
	(unaudited)	(audited)
Types of goods or services		
New Energy Business		
Construction related and consultancy services	–	57,499
Trading of liquefied natural gas (“LNG”)	68,510	153,354
	68,510	210,853
Time of revenue recognition		
A point in time	68,510	153,354
Overtime	–	57,499
Total	68,510	210,853

During the six months ended 30 June 2019, 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 IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

B. For the six months ended 30 June 2020 and 2019

	Six months ended	
	30.6.2020	30.6.2019
	RMB'000	RMB'000
	(unaudited)	(audited)
Continuing operations		
New Energy Business	68,510	210,853
Property Investments	252	252
	68,762	211,105

For the six months ended 30 June 2020, the information reported to the 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 the period from 1 January 2019 to 30 April 2019 and presented as results from discontinued operation. Accordingly, in prior period, the Catering Business was not presented for segment reporting to CODM.

Six months ended 30 June 2020 (unaudited)

	New energy business RMB'000	Property investments RMB'000	Total RMB'000
REVENUE			
External sales	<u>68,510</u>	<u>252</u>	<u>68,762</u>
RESULT			
Segment result	<u>(11,136)</u>	<u>233</u>	<u>(10,903)</u>
Unallocated corporate expenses			<u>(10,066)</u>
Net foreign exchange gain			<u>24</u>
Loss before tax			<u>(20,945)</u>

Six months ended 30 June 2019 (audited)

	New energy business RMB'000	Property investments RMB'000	Total RMB'000
Continuing operations			
REVENUE			
External sales	<u>210,853</u>	<u>252</u>	<u>211,105</u>
RESULT			
Segment result	<u>69,433</u>	<u>231</u>	<u>69,664</u>
Unallocated corporate expenses			<u>(14,599)</u>
Net foreign exchange gain			<u>432</u>
Profit before tax			<u>55,497</u>

4. OTHER INCOME

	Six months ended	
	30.6.2020	30.6.2019
	RMB'000	RMB'000
	(unaudited)	(audited)
Continuing operations		
Rental and operation management service income	5,486	5,395
Government subsidy	5,702	–
Interest income from banks	14	154
Interest income from loan receivable from independent third party	–	241
Others	109	471
	11,311	6,261

During the current interim period, the Group recognised government grants of RMB140,000 in respect of Covid-19 related to Employment Support Scheme provided by the Hong Kong Special Administrative Region Government.

During the current interim period, its PRC subsidiaries received subsidies of RMB5,562,000 from the PRC 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.

5. OTHER GAINS

	Six months ended	
	30.6.2020	30.6.2019
	RMB'000	RMB'000
	(unaudited)	(audited)
Continuing operations		
Net foreign exchange gain	24	432

6. 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, 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.

During the six months ended 30 June 2019, the loss for the period from discontinued operation in respect of Catering Business is analysed as follow:

	Period from 1.1.2019 to 30.4.2019 (date of disposal) RMB'000 (audited)
Loss of Catering Business	(1,685)
Gain on disposal of Catering Business	<u>1,786</u>
Profit for the period attributable to owners of the Company from discontinued operation	<u>101</u>
Revenue	14,917
Cost of sales	<u>(12,209)</u>
Gross profit	2,708
Other income	3
Other losses	(256)
Administrative expenses	(2,076)
Selling and distributions	(1,252)
Impairment loss recognised in respect of property, plant and equipment	(303)
Interest on lease liabilities	<u>(504)</u>
Loss before tax	(1,680)
Income tax expense	<u>(5)</u>
Loss for the period from Catering Business	<u>(1,685)</u>

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

	<i>RMB'000</i> (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 of	214
	<i>RMB'000</i> (audited)
Gain on disposal of 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)

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

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

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

	Period from 1.1.2019 to 30.4.2019 (date of disposal) <i>RMB'000</i> (audited)
Salaries and other allowances	4,714
Retirement benefit scheme contribution	815
Total staff cost	5,529
Less: included in cost of sales	(3,880)
	1,649
Auditors' remuneration	7
Depreciation of property, plant and equipment	123
Less: included in cost of sales	(116)
	7
Depreciation of right-of-use assets	3,357
Cost of inventories recognised as an expense	4,856

7. (LOSS) PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

	Six months ended	
	30.6.2020	30.6.2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)
(Loss) profit before tax has been arrived at after charging the following items:		
Directors' and chief executive's emoluments	2,758	4,970
Salaries and other allowances	4,048	3,645
Retirement benefit scheme contributions, excluding those of Directors	314	412
Equity-settled share based payments, excluding those of Directors	1,290	3,221
Total staff costs	8,410	12,248
Auditors' remuneration	184	1,056
Depreciation of property, plant and equipment	5,357	5,366
Less: included in cost of sales	(5,166)	(5,167)
	191	199
Depreciation of right-for-use assets	821	1,245

8. INCOME TAX (CREDIT) EXPENSE

	Six months ended	
	30.6.2020	30.6.2019
	RMB'000	RMB'000
	(unaudited)	(audited)
Continuing operations		
Enterprise income tax in the PRC		
Current tax	3,038	16,773
Underprovision in prior period	5	–
Deferred taxation	(3,715)	–
	<u>(672)</u>	<u>16,773</u>

9. DIVIDENDS

No dividends were paid, declared or proposed during the six months ended 30 June 2020 and 30 June 2019. 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 the six months ended 30 June 2020 and 30 June 2019.

10. (LOSS) EARNINGS PER SHARE

From continuing operations

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

	Six months ended	
	30.6.2020	30.6.2019
	RMB'000	RMB'000
	(unaudited)	(audited)
(Loss) profit for the period attributable to owners of the Company	(19,412)	32,546
Less: Profit for the period from discontinued operation	–	(101)
	<u>(19,412)</u>	<u>32,445</u>
(Loss) profit for the purpose of basic (loss) earnings per share from continuing operations		
	<u>(19,412)</u>	<u>32,445</u>

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

	Six months ended	
	30.6.2020	30.6.2019
	'000	'000
	(unaudited)	(audited)
Weighted average number of shares used in the calculation of basic (loss) earnings per share	3,597,402	3,521,587
Shares deemed to be issued in respect of:		
– Share options	N/A	44,087
Weighted average number of shares used in the calculation of diluted (loss) earnings per share	<u>3,597,402</u>	<u>3,565,674</u>

The computation of diluted loss per share for the six months ended 30 June 2020 does not assume the exercise would result in an decrease in loss per share from continuing operations.

From continuing and discontinued operations

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

	Six months ended	
	30.6.2020	30.6.2019
	RMB'000	RMB'000
	(unaudited)	(audited)
(Loss) earnings		
(Loss) earnings for the purpose of basic and diluted		
(loss) earnings per share		
(Loss) profit for the period attributable to owners of the Company	(19,412)	32,546

From discontinued operation

For the six months ended 30 June 2019, basic profit per share from discontinued operation is RMB0.000 per share and diluted profit per share from discontinued operation is RMB0.000 per share, based on the profit for the period attributable to owners of the Company from discontinued operation of RMB101,000 and the denominators detailed above for both basic and diluted loss per share.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group disposed of certain plant and machinery with an aggregate carrying amount of RMB187,000 with a consideration of RMB187,000, resulting in no gain or loss on disposal.

12. RIGHT-OF-USE ASSETS

During the current interim period, the Group entered into a new lease agreements with lease terms of 5 years. On lease commencement, the Group recognised right-of-use assets of RMB1,123,000 (six months ended 30 June 2019: RMB2,765,000) and lease liabilities of RMB1,118,000 (six months ended 30 June 2019: RMB2,728,000).

13. INVESTMENT PROPERTIES

	30.6.2020	31.12.2019
	RMB'000	RMB'000
	(unaudited)	(audited)
AT FAIR VALUE		
At beginning and end of the period/year	9,910	9,910

The Group's investment properties are situated in the PRC and held under medium lease.

The Directors of the Company have determined that the investment properties are commercial properties, based on the nature, characteristics and risks of the property. As at 30 June 2020, management of the Company estimated the fair value of the investment properties by reference to the rentals achieved of the property as well as other lettings of similar properties in the neighbourhood and considered that the fair value is approximately to its carrying amount.

14. TRADE AND OTHER RECEIVABLES

	30.6.2020 RMB'000 (unaudited)	31.12.2019 <i>RMB'000</i> (audited)
Trade receivables	491,616	491,906
Less: Allowance for expected credit loss	(28,800)	(9,420)
	<u>462,816</u>	<u>482,486</u>

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 and construction related and consultancy service.

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 engineering consultancy services and construction work, net of allowance for expected credit loss, based on invoice dates at the end of the reporting period is as follows:

	30.6.2020 RMB'000 (unaudited)	31.12.2019 <i>RMB'000</i> (audited)
Trade receivables for construction related and consultancy services (included in New Energy Business):		
Unbilled receivables	–	99,730
0 – 180 days	99,730	127,192
181 – 270 days	123,523	7,471
271 – 1 year	1,371	15,552
Over 1 year but within 2 years	18,785	8,108
	<u>243,409</u>	<u>258,053</u>
Within settlement period	54,973	102,820
Past due	188,436	155,233
	<u>243,409</u>	<u>258,053</u>

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

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

	30.6.2020 RMB'000 (unaudited)	31.12.2019 <i>RMB'000</i> (audited)
Trade receivables for trading of industrial products and trading of LNG (included in New Energy Business):		
Unbilled receivables	–	15,896
0 – 60 days	68,510	127,714
Over 180 days	150,897	80,823
	219,407	224,433
Total trade receivables	462,816	482,486
Other receivables and deposits:		
Prepayments to suppliers	46,840	23,586
Prepayments for operating expenses	3,946	1,383
Value-added tax for purchases	8,255	6,367
Other receivables and deposits	171	3,089
Less: loss allowance for other receivables	–	(69)
	59,212	34,356
	522,028	516,842

15. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO EXPECTED CREDIT LOSS MODEL

	Six months ended 30.6.2020 RMB'000 (unaudited)	30.6.2019 <i>RMB'000</i> (audited)
Impairment loss recognised in respect of trade receivables	19,380	–

Other than considering those significant events and transactions as disclosed in note 1A, the basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2019.

16. TRADE AND OTHER PAYABLES

The following is an analysis of trade payables by age, presented based on the invoice dates:

	30.6.2020 RMB'000 (unaudited)	31.12.2019 <i>RMB'000</i> (audited)
Trade payables:		
0 – 30 days	10,686	40,281
31 – 60 days	–	328
61 – 90 days	2,464	–
91 – 180 days	12,591	5,139
Over 180 days	95,500	65,442
	121,241	111,190
Other payables:		
Accruals	1,534	1,528
Other payables	19	63
Employee benefits payable	98	121
Other taxes payable	–	1,775
	1,651	3,487
	122,892	114,677

17. SHARE CAPITAL

	Number of shares '000	Amount RMB'000	Amount HK\$'000
Authorised:			
At 1 January 2019, 31 December 2019 and 30 June 2020			
– Ordinary shares of HK\$0.00125 each	<u>64,000,000</u>	<u>N/A</u>	<u>80,000</u>
Issued and fully paid:			
At 1 January 2019	3,510,968	3,553	4,389
Exercise of share options (<i>note 18</i>)	<u>74,064</u>	<u>82</u>	<u>93</u>
At 31 December 2019 and 1 January 2020	3,585,032	3,635	4,482
Exercise of share options (<i>note 18</i>)	<u>27,104</u>	<u>31</u>	<u>34</u>
At 30 June 2020			
– Ordinary shares of HK\$0.00125 each	<u>3,612,136</u>	<u>3,666</u>	<u>4,516</u>

18. SHARE-BASED PAYMENTS TRANSACTIONS

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 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 has granted 28,000,000 share options to the Company’s directors, consultants and employees at the exercise price of HK\$0.81 per option share (i.e. 224,000,000 shares with par value of HK\$0.00125 each after a share subdivision on the basis that every 1 issued and unissued share of HK\$0.01 each were subdivided into 8 subdivided shares of HK\$0.00125 each on 20 May 2016 (“the Share Subdivision”). On 20 May 2016, the exercise price of the outstanding options was adjusted from HK\$0.81 per Share to HK\$0.10125 per subdivided share. On 9 June 2017, the Company has granted 343,536,000 share options to the Company’s directors, consultants and employees at the exercise price of HK\$0.289 per option share. On 30 June 2020, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was adjusted to 267,280,000 (31 December 2019: 294,384,000), representing 7.4% (31 December 2019: 8.2%) of the shares of the Company in issue at that date.

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 A	25/11/2014	25/11/2014-24/11/2021	HK\$0.10125*	HK\$0.0501*
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 consultants <i>(note 4)</i>				
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
Option to employees				
Option B	25/11/2014	25/11/2014-24/11/2021	HK\$0.10125*	HK\$0.0455*
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

Notes:

- Option shares 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).
- Option shares 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).
- Option shares 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).
- Option shares granted to consultants are measured at the fair value of the equity instruments at the grant date, same as those options granted to employees. The Directors of the Company considered these consultants are worked as employees of the Group in rendering services in the Group.

* Adjusted by Share Subdivision on 20 May 2016.

The following table discloses movement of the Company's share options during the years ended 31 December 2019 and six months ended 30 Jun 2020:

Option type	Outstanding at 1.1.2019 '000	Exercised '000	Forfeited '000	Outstanding at 31.12.2019 and 1.1.2020 '000	Exercised '000	Outstanding at 30.6.2020 '000
Option A	49,280	(4,480)	–	44,800	–	44,800
Option B	3,200	(3,200)	–	–	–	–
Option C	32,088	(1,144)	–	30,944	–	30,944
Option D	32,088	(1,144)	–	30,944	–	30,944
Option E	32,088	–	(1,144)	30,944	–	30,944
Option F	16,768	(16,768)	–	–	–	–
Option G	28,216	(22,888)	–	5,328	(3,664)	1,664
Option H	28,216	–	–	28,216	–	28,216
Option I	49,880	(21,440)	(664)	27,776	(5,000)	22,776
Option J	49,880	(3,000)	(664)	46,216	(18,440)	27,776
Option K	49,880	–	(664)	49,216	–	49,216
	<u>371,584</u>	<u>(74,064)</u>	<u>(3,136)</u>	<u>294,384</u>	<u>(27,104)</u>	<u>267,280</u>
Exercisable at 30 June 2020						<u>267,280</u>
Weighted average exercise price (HK\$)	<u>0.291</u>	<u>0.289</u>	<u>0.289</u>	<u>0.262</u>	<u>0.289</u>	<u>0.258</u>

In respect of the share options exercised during the period, the weighted average share price at the date of exercise is HK\$0.2918 (Year ended 31 December 2019: HK\$0.3025).

The Group recognised an expense of HK\$2,015,000 (equivalent to RMB1,820,000) in relation to share options granted by the Company for the six months ended 30 June 2020 (six months ended 30 June 2019: HK\$5,343,000 (equivalent to RMB4,590,000)).

19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair value.

20. RELATED PARTY TRANSACTION

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

	Six months ended	
	30.6.2020	30.6.2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)
Salaries and other short-term employee benefits	3,366	5,469
Retirement benefit costs	117	110
	<u>3,483</u>	<u>5,579</u>

21. EVENT AFTER THE END OF THE REPORTING PERIOD

Government grants in respect of Covid-19 related subsidies

As disclosed in Note 4, the Group applied for the first tranche of the Employment Support Scheme provided by the Hong Kong Special Administrative Region Government. In July 2020, the Group received the subsidy amounted to RMB420,000 as compensation to the Group's salary costs for June to August 2020, of which RMB140,000 is related to government grant receivable recognised as at 30 June 2020 in relation to salary costs for June 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The first half of 2020 was full of challenges. The Group's business has been seriously affected by the outbreak of the Novel Coronavirus Disease ("COVID-19") which started from the first quarter of 2020 and continued into the second quarter. For the Current Period, the Group recorded a significant decrease in total revenue from RMB211.1million to RMB68.8 million in the Current Period, representing a drop of 67.4% comparing with that of the Corresponding Period. Gross profit of the New Energy Business during the Current Period dropped to nearly zero due to a sharp decrease in sales volume of Liquefied Natural Gas ("LNG") and nil completion of construction related and consultancy services projects in the New Energy Business. A net loss of RMB20.3 million was recorded, as compared to a net profit after tax of RMB38.8 million for the Corresponding Period. Loss attributable to the owners of the Company was RMB19.4 million.

The significant drop in revenue, gross profit and recorded net loss for the Current Period were mainly attributable to, as indicated in the 2020 First Quarterly Report of the Group, the COVID-19 pandemic which (1) caused continuous severe disruption to the Group's business operations such as client meetings, negotiation and completion of new projects and adversely impacted the overall performance of the Group in the Current Period; (2) brought about poor market conditions and reduced the demand for LNG and hence the sales volume of LNG, which has low gross profit margin, significantly decreased in the Current Period; (3) severely impacted and restricted the performance of other new energy business of the Group; (4) caused the Group to make an expected credit losses provision for the trade receivables.

New Energy Business

Since the business transformation into the New Energy Business, the Group has remained focused in the development of New Energy Business, including the trading of new energy related industrial products, providing new energy related consultancy services and a range of integrated new energy services in research and development on relevant technologies, LNG provision in Tianjin, the PRC.

During the Current Period, due to the outbreak of COVID-19, the Group's businesses were not able to operate as normal. Meetings, travel plans and orders were forced to postpone or cancel. As the New Energy Business was badly hit by the COVID-19 pandemic from the first quarter of 2020, the Group's only source of revenue from the New Energy Business was contributed by the supply of LNG. In addition, there was no revenue recorded from the New Energy Business segment in the second quarter of 2020.

Despite this, the Group ventured into deeper collaboration with elite industry players in fields of technological and infrastructure-related business. The Group set up cooperation with Shanghai Jiulian Group, a wholly owned subsidiary of the Shanghai Shenergy Group. Both parties agreed to form a Joint Venture to secure the supply of LNG resources and develop the business into the high potential market in the Yangtze River Delta region. Meanwhile, the Group continued to maintain good business relationships with Tractebel Engineering S.A. from France and Tianjin Jinre Heat Supply Group Co. Ltd. ("TJR").

During the Current Period, the only revenue were generated from the supply of LNG, which has low gross profit margin, no other new projects were secured under the adverse effects of COVID-19.

Property Investment

As at the end of 30th June 2020, the Group owned two office premises on Beijing Road West, Jing An District in Shanghai. Both premises continued to be on medium term lease and 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 RMB68.8 million, representing a significant decrease of 67.4% from RMB211.1 million for the Corresponding Period. The decrease was mainly attributable to RMB142.3 million decrease in revenue of the New Energy Business during the Current Period.

New Energy Business

For the Current Period, the Group recognized revenue of RMB68.5 million (Corresponding Period: RMB210.9 million) from the New energy business segment, accounting for 99.6% (Corresponding Period: 99.9%) of the Group's total revenue. It was mainly attributable to the income of LNG supply in Tianjin during the Current Period. The existence of COVID-19 resulted in the significant decrease in LNG supply volume and revenue and no construction related and consultancy service income in the Current Period.

Property Investments

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

Cost of Sales

The cost of sales for New Energy Business sharply decreased to RMB68.6 million as compared to RMB143.8 million in the Corresponding Period. The decrease mainly represented the cost incurred from LNG supply decreased due to the suppressed LNG demand in PRC 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 31.8% for the Corresponding Period to Gross loss of 0.1% for the Current Period, due to the Significant decrease in LNG supply revenue with existence of COVID-19 in PRC during the Current Period.

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

Other Gains

Other gains of RMB0.1 million were recorded in the Current Period compared to other gain of RMB0.4 million in the Corresponding Period, mainly due to the decrease of gain in foreign exchange difference.

Administrative Expenses

Administrative expenses decreased by 29.4% from RMB18.4 million for the Corresponding Period to RMB13.0 million for the Current Period. The decrease was owing to a reduction in the amortized cost of share-based payment expenses in connection with the grant of share options in June 2017 and decrease in legal and professional fee and audit fee in the Current Period.

Income Tax Credit (Expense)

Income tax credit was recorded RMB0.7 million (Corresponding Period: income tax expense RMB16.8 million). It was mainly derived from the provision for enterprise income tax of subsidiaries in Tianjin net off the effect of deferred tax asset provided on the loss of subsidiaries in Tianjin.

Discontinued Operations

At the end of April 2019, the Group entered into a Sale and Purchase Agreement to dispose of 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 the resources on the flourishing New Energy Business of the Group. For further details, please refer to the note 6 to the condensed consolidated financial statements and the announcement of the Company dated 30 April 2019.

Non-controlling Interests

Non-controlling interests decreased by 113.7% from profit of RMB6.3 million for the Corresponding Period to loss of RMB0.9 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) profit and Total Comprehensive (Expense) Income Attributable to the Owners of the Company

Net (loss) profit and total comprehensive (expense) income attributable to the owners of the Company recorded an decrease by 159.6% from net profit of RMB32.5 million for the Corresponding Period to net loss of RMB19.4 million for the Current Period. Basic and diluted loss per share were both RMB0.5 cents, as compared to basic and diluted earnings per share were both of RMB0.9 cents recorded in the Corresponding Period.

Related Party Transactions and Connected Transactions

During the Current Period, all transactions as set out in note 20 of the condensed consolidated financial statements 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 2020, bank balances and cash maintained by the Group were RMB7.2 million, representing a decrease of 63.5% from RMB19.6 million as at 31 December 2019, which was largely due to settlement of overdue trade payables and the provision of tax liabilities for last year.

Trade and other receivables were RMB522.0 million, up by 1.0% from RMB 516.8 million as at 31 December 2019, which mainly represented the increase in trade receivables from the New Energy Business.

Trade and other payables increased from RMB114.7 million as at 31 December 2019 to RMB122.9 million as at 30 June 2020, or 7.2%, which mainly represented the increase in trade payables from the New Energy Business.

Tax liabilities decreased from RMB9.2 million as at 31 December 2019 to RMB3.5 million as at 30 June 2020, or 62.2%, due to that settlement of tax payable for last year.

As a result, the Group's current assets and current liabilities as at 30 June 2020 were RMB529.2 million and RMB131.8 million (31 December 2019: RMB536.4 million and RMB130.5 million) respectively.

The Group has no bank borrowings as at 30 June 2020. Gearing ratio of the Group, measured as total debt to total equity, remained zero as at 30 June 2020 (31 December 2019: 0.0%). The Group recorded net assets of RMB475.1 million as at 30 June 2020 compared to RMB486.5 million as at 31 December 2019. The decrease was mainly due to the net loss recorded during the Current Period net off the effect of recognition of equity-settled share based payments, increased in equity by exercise of share options. During the Current Period, the Group financed its operations mainly with funds from internal resources.

PROSPECTS

The outbreak of the COVID-19 not only threatened the operations of many industries and businesses, but also adversely impacted the economic development in the PRC. In face of the slowdown in the economic growth in the PRC, the Board expected that the influence of COVID-19 on the market will continue to adversely affect the overall performance of the Group in near term despite the gradual ease of the pandemic in the PRC since the second quarter of 2020. Given the degree of uncertainty in the development of COVID-19, the Group remains cautious and expects that the road to recovery will be uneasy for the rest of the year.

In response to the changing market environment, the Group adjusted its strategic plans correspondingly. Apart from actively strengthening the LNG supply through establishing new joint ventures and carrying out merger and acquisition to reinforce its capacity, the Group will adopt multi-pronged strategies in an attempt to diversify the risks and quicken the pace of recovery.

While maintaining LNG trading at its existing locations, the upcoming priority is to look for suitable new markets to reach out to other potential regions in the PRC and even foreign markets. The Group will concentrate on utilizing our working capital on hand for the growth of New Energy Business. The Group will seek to steadily extend its business reach outside of its main base in Tianjin and then identify any domestic and overseas LNG suppliers to enrich its product portfolio. On the other hand, the Group will actively look for new engineering projects with good profit margins to grow the sector and allocate sufficient resources on LNG supply to facilitate business development. In addition, the Group will continue to foster business collaboration with new partners and pursue stable long-term cooperation with existing partners so as to enlarge its business scopes and services.

The Group will closely monitor the development of COVID-19 as well as the market situation and if necessary, implement any measures in time to mitigate possible business risks and minimize losses.

Lastly, for the property investment business, the Group will go on to search for investment opportunities in high-yield premises and maintain ownership in all current office premises in order to bring in stable long-term returns to shareholders.

CAPITAL STRUCTURE

During the Current Period, an aggregate of 27,104,000 shares were issued and allotted pursuant to the exercise of share options with exercise price of HK\$0.289. As at 30 June 2020, the Company had an aggregate of 3,612,136,000 shares of HK\$0.00125 each in issue.

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 2020 and 30 June 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 2020, the Group did not have any litigation.

CONTINGENT LIABILITIES

As at 30 June 2020, 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

On 30 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 financial results contributed by the Catering Business are presented as results from discontinued operation in Corresponding Period. There is no plan for material investments or capital assets as the date of this results.

PLEDGE OF ASSETS

As at 30 June 2020, the Group did not have any pledged assets. (31 December 2019: Nil).

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 C.3.3 of the Code on Corporate Governance Practices 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; and oversee internal control procedures of the Company.

As at 30 June 2020, 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 2020 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 practices as required under the GEM Listing Rules.

The Group's external auditor, Deloitte Touche Tohmatsu, 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 2020.

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. 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.

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 2020.

EMPLOYMENT AND REMUNERATION OF EMPLOYEES

As at 30 June 2020, the Group has approximately 25 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 include 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 of the Company or its subsidiaries to subscribe for shares in the Company at a consideration equal to the higher of the closing price of the shares of the Company on the Stock Exchange at the date of offer of grant and the average closing prices of the shares of the Company on the Stock Exchange for the five trading days immediately preceding the date of grant of the options. Options granted must be taken up within 28 days from the date of grant, upon payment of HK\$1.00. Options may be exercised at any time from the date of grant of the share option up to the tenth anniversary of the date of grant as determined by the Directors at their discretion. The maximum number of shares of the Company in respect of which options may be granted, when aggregated with any other share option scheme of the Company, shall not exceed 30% of the issued share capital of the Company from time to time excluding any shares issued upon the exercise of options granted pursuant to the Scheme. The maximum number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the shares in issue upon the date of which the shares are listed and permitted to be dealt in the Stock Exchange. The 10% limit may be refreshed at any time by approval of the Company’s shareholders provided that the total number of shares which may be issued upon exercise of all options to be granted under all of the schemes of the Company under the limit as “refreshed” must not exceed 10% of the shares in issue as at the date of approval of the limit. The total number of shares issued and to be issued upon exercise of the options granted to a participant under the Scheme (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares in issue from time to time.

During the year 2014, the Company has granted 28,000,000 share options to the Company’s Directors, consultants and employees at the exercise price of HK\$0.81 per option share (i.e. 224,000,000 shares with par value of HK\$0.00125 each after the Share Subdivision on 20 May 2016). During the year 2017, the Company has granted 343,536,000 share options to the Company’s Directors, consultants and employees at the exercise price of HK\$0.289 per option share. As at 30 June 2020, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 267,280,000 (30 June 2019: 350,024,000),

representing 7.40% (30 June 2019: 9.91%) 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 review period and outstanding as at 30 June 2020 are as follows:

	At 1 January 2020	Granted during the period	Exercised during the period	Cancelled/ forfeited during the period	Outstanding as at 30 June 2020	Exercise period (both dates inclusive)	Exercise price	Closing price immediately before the date of grant
Directors								
Mr. Hu Yishi	2,880,000	–	–	–	2,880,000	9 June 2018 to 9 June 2024	0.289	0.28
	2,880,000	–	–	–	2,880,000	9 June 2019 to 9 June 2024	0.289	0.28
	2,880,000	–	–	–	2,880,000	9 June 2020 to 9 June 2024	0.289	0.28
Mr. Chan Wing Yuen, Hubert	22,400,000	–	–	–	22,400,000	25 November 2014 to 24 November 2021	0.10125*	0.12125*
	11,448,000	–	–	–	11,448,000	9 June 2018 to 9 June 2024	0.289	0.28
	11,448,000	–	–	–	11,448,000	9 June 2019 to 9 June 2024	0.289	0.28
	11,448,000	–	–	–	11,448,000	9 June 2020 to 9 June 2024	0.289	0.28
Ms. Lin Min, Mindy	2,880,000	–	–	–	2,880,000	9 June 2018 to 9 June 2024	0.289	0.28
	2,880,000	–	–	–	2,880,000	9 June 2019 to 9 June 2024	0.289	0.28
	2,880,000	–	–	–	2,880,000	9 June 2020 to 9 June 2024	0.289	0.28
Ms. Kwong Wai Man, Karina	22,400,000	–	–	–	22,400,000	25 November 2014 to 24 November 2021	0.10125*	0.12125*
	11,448,000	–	–	–	11,448,000	9 June 2018 to 9 June 2024	0.289	0.28
	11,448,000	–	–	–	11,448,000	9 June 2019 to 9 June 2024	0.289	0.28
	11,448,000	–	–	–	11,448,000	9 June 2020 to 9 June 2024	0.289	0.28
Ms. Ma Lee	1,144,000	–	–	–	1,144,000	9 June 2018 to 9 June 2024	0.289	0.28
	1,144,000	–	–	–	1,144,000	9 June 2019 to 9 June 2024	0.289	0.28
	1,144,000	–	–	–	1,144,000	9 June 2020 to 9 June 2024	0.289	0.28
Mr. Lau Kwok Kee	1,144,000	–	–	–	1,144,000	9 June 2018 to 9 June 2024	0.289	0.28
	1,144,000	–	–	–	1,144,000	9 June 2019 to 9 June 2024	0.289	0.28
	1,144,000	–	–	–	1,144,000	9 June 2020 to 9 June 2024	0.289	0.28
Total Directors	<u>137,632,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>137,632,000</u>			
Employees	27,776,000	–	(5,000,000)	–	22,776,000	9 June 2018 to 9 June 2024	0.289	0.28
	46,216,000	–	(18,440,000)	–	27,776,000	9 June 2019 to 9 June 2024	0.289	0.28
	<u>49,216,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>49,216,000</u>	9 June 2020 to 9 June 2024	0.289	0.28
Total Employees	<u>123,208,000</u>	<u>–</u>	<u>(23,440,000)</u>	<u>–</u>	<u>99,768,000</u>			
Consultants	5,328,000	–	(3,664,000)	–	1,664,000	9 June 2019 to 9 June 2024	0.289	0.28
	<u>28,216,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>28,216,000</u>	9 June 2020 to 9 June 2024	0.289	0.28
Total Consultants	<u>33,544,000</u>	<u>–</u>	<u>(3,664,000)</u>	<u>–</u>	<u>29,880,000</u>			
Total All Categories	<u>294,384,000</u>	<u>–</u>	<u>(27,104,000)</u>	<u>–</u>	<u>267,280,000</u>			
Exercisable at the end of the period	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>267,280,000</u>			

* adjusted by share subdivision on 20 May 2016.

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

At 30 June 2020, 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	544,184,000	15.07%
Ms. Lin Min, Mindy	2	Interest of controlled corporation and beneficial owner	489,088,000	13.54%
Ms. Ma Lee		Beneficial owner	2,240,000	0.06%

Notes:

1. Mr. Hu Yishi 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 Yishi. Mr. Hu Yishi is also deemed to be interested in 96,184,000 shares held by Front Riches Investments Limited, a company 100% controlled by Mr. Hu Yishi.
2. Ms. Lin Min, Mindy ("Ms. Lin") is deemed to be interested in 448,000,000 shares held by Uprise Global Investments Limited and in 18,688,000 shares held by Gainup Limited respectively, both companies were 100% controlled by Ms. Lin. Ms. Lin is also interested in 22,400,000 shares which beneficially owned by herself.

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

Name of Director	Nature of Interest	Number of underlying shares (note)
Mr. Hu Yishi	Beneficial owner	8,640,000
Mr. Chan Wing Yuen, Hubert	Beneficial owner	56,744,000
Ms. Lin Min, Mindy	Beneficial owner	8,640,000
Ms. Kwong Wai Man, Karina	Beneficial owner	56,744,000
Ms. Ma Lee	Beneficial owner	3,432,000
Mr. Lau Kwok Kee	Beneficial owner	3,432,000

Note:

The outstanding share options 44,800,000 were granted by the Company to Directors on 25 November 2014 at the exercise price of HK\$0.10125 per option share and 92,832,000 were granted by the Company to Directors on 9 June 2017 at the exercise price of HK\$0.289 per option share. The details of outstanding share options are shown under the section “Share Option Scheme” of this results.

Saved as disclosed above, as at 30 June 2020, 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.

CHANGE IN INFORMATION OF DIRECTORS

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, the changes in information of the Directors since the date of annual report of the Company for the year ended 31 December 2019 are set out below:

With effect from 8 May 2020, Mr. Chan Wing Yuen, Hubert has retired as the independent non-executive Director and the member of the audit committee, appraisal committee and budget committee and chairman of nomination committee of Shanghai La Chapelle Fashion Co., Ltd. (Stock Code: 6116).

Saved as disclosed above, there is no other change in information of each director of the Company that is required to be disclosed under Rule 17.50A(1) of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS’ INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 30 June 2020, so far as is known to the Directors, the following person (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 – Ordinary shares and underlying shares

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	–	17.72%
Mr. Song Zhi Cheng (<i>note 2</i>)	Interest of controlled corporation	640,000,000	–	17.72%
Smart Lane Global Limited (<i>note 3</i>)	Beneficial owner	448,000,000	–	12.40%
Uprise Global Investments Limited (<i>note 4</i>)	Beneficial owner	448,000,000	–	12.40%
Blossom Merit Limited (<i>note 5</i>)	Beneficial owner	219,112,000	–	6.07%
Mr. Chan Tai Neng (<i>note 6</i>)	Interest of controlled corporation	219,112,000	–	6.07%

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 Yishi is 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 Min, Mindy, 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 June 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 2020, 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

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 2020

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 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>.