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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8246)

FIRST QUARTERLY RESULTS ANNOUNCEMENT
FOR THE THREE MONTHS ENDED 31 MARCH 2023

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

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

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors (the “Directors”) of Zhonghua Gas Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in This announcement is accurate and complete in all material respects and not misleading; or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

The board of Directors (the “Board”) of the Company announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months ended 31 March 2023 (the “Current Period”), together with the unaudited comparative figures for the three months ended 31 March 2022 (the “Corresponding Period”) as follows:

FINANCIAL HIGHLIGHTS

	For the three months ended				Increase/(decrease)
	31.3.2023		31.3.2022		
	<i>RMB'000</i>	<i>HKD'000[#]</i>	<i>RMB'000</i>	<i>HKD'000*</i>	
Revenue	122,965	140,463	108,761	134,102	13.1%
Gross loss ^(a)	(1,706)	(1,949)	(2,340)	(2,885)	(27.1%)
Loss and total comprehensive income for the period	(16,176)	(18,478)	(12,647)	(15,594)	27.9%
Loss and total comprehensive income attributable to owners of the Company	(14,028)	(16,024)	(11,502)	(14,182)	22.0%
Loss before tax	(16,146)	(18,444)	(12,647)	(15,594)	27.7%
Loss before tax and depreciation	(12,789)	(14,609)	(8,939)	(11,022)	43.1%
Loss per share					
Basic and diluted	RMB(0.004)	HK\$(0.005)	RMB(0.003)	HK\$(0.004)	33.3%
Dividend	<u>Nil</u>	<u>Nil</u>	<u>Nil</u>	<u>Nil</u>	<u>N/A</u>

Key Financial Indicators	For the three months ended	
	31.3.2023	31.3.2022
Gross loss margin ^(b)	(1.4%)	(2.2%)
Net loss margin ^(c)	<u>(13.2%)</u>	<u>(11.6%)</u>

Notes:

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

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

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

Converted to HK\$ at exchange rate of RMB1 = HK\$1.1423 on 31 March 2023 for reference.

* Converted to HK\$ at exchange rate of RMB1 = HK\$1.2330 on 31 March 2022 for reference.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2023

	<i>Notes</i>	Three months ended	
		31.3.2023	31.3.2022
		<i>RMB'000</i>	<i>RMB'000</i>
		(unaudited)	(unaudited)
Revenue	3	122,965	108,761
Cost of sales		(124,671)	(111,101)
Gross loss		(1,706)	(2,340)
Other income	3	5,445	5,472
Other gains/(losses)	4	1,116	(1,875)
Allowance of impairment on trade receivables	5	(14,260)	(9,032)
Administrative expenses		(6,707)	(4,800)
Loss from operations		(16,112)	(12,575)
Finance costs		(34)	(72)
Loss before tax		(16,146)	(12,647)
Income tax expense	6	(30)	—
Loss and total comprehensive income for the period	7	(16,176)	(12,647)
Attributable to:			
Owners of the Company		(14,028)	(11,502)
Non-controlling interests		(2,148)	(1,145)
		(16,176)	(12,647)
Loss per share attributable to owners of the Company			
Basic and diluted	8	RMB(0.004)	RMB(0.003)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the three months ended 31 March 2023

	Attributable to owners of the Company					Non- controlling interests	Total equity
	Share capital	Share premium	Share option reserve	Retained profits	Total		
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2022 (audited)	3,724	57,075	21,540	32,704	115,043	29,649	144,692
Total comprehensive income for the period	—	—	—	(11,502)	(11,502)	(1,145)	(12,647)
At 31 March 2022 (unaudited)	<u>3,724</u>	<u>57,075</u>	<u>21,540</u>	<u>21,202</u>	<u>103,541</u>	<u>28,504</u>	<u>132,045</u>
At 1 January 2023 (audited)	3,724	57,075	21,540	27,450	109,789	33,164	142,953
Total comprehensive income for the period	—	—	—	(14,028)	(14,028)	(2,148)	(16,176)
At 31 March 2023 (unaudited)	<u>3,724</u>	<u>57,075</u>	<u>21,540</u>	<u>13,422</u>	<u>95,761</u>	<u>31,016</u>	<u>126,777</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2023

1. GENERAL INFORMATION

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

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the “Group”) is principally engaged in:

- (i) the provision of diverse integrated 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 sales of LNG (“Energy Business”); and
- (ii) the leasing of investment properties located in Shanghai, China (“Property Investments”).

2. BASIS OF PREPARATION

The unaudited 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 (the “IASB”) and the applicable disclosure provisions of the GEM Listing Rules.

The unaudited condensed consolidated financial statements have been prepared under the historical cost basis. The principal accounting policies used in the preparation of these unaudited condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2022 except in relation to the new and revised standards, amendments and interpretations (“new and revised IFRSs”) issued by the IASB that are adopted for the first time for the Current Period’s financial statements. The adoption of these new and revised IFRSs does not have material impact on the consolidated financial statements and does not result in substantial changes to the Group’s accounting policies.

The Group has not early adopted any new IFRSs that have been issued but are not yet effective.

The unaudited condensed consolidated financial statements are presented in Renminbi (“RMB”), which is also the functional currency of the Group.

3. REVENUE AND OTHER INCOME

	Three months ended	
	31.3.2023	31.3.2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Revenue from contracts with customers within the scope of IFRS 15		
Energy Business		
— Sales of LNG	122,678	108,639
— Management fee income	242	—
	<u>122,920</u>	<u>108,639</u>
Revenue from other sources		
— Rental income from property investments	45	122
	<u>122,965</u>	<u>108,761</u>
Other income		
Rental and operating management service income	5,425	5,425
Government subsidies (<i>Note</i>)	—	10
Interest income on bank deposits	16	8
Others	4	29
	<u>5,445</u>	<u>5,472</u>

Note: During the Corresponding Period, PRC subsidiaries received approximately RMB10,000, subsidies given by the PRC government for encouragement of its Energy Business. There were no other specific conditions attached to the incentives and, therefore, the Group recognised the incentives upon receipt.

4. OTHER GAINS/(LOSSES)

	Three months ended	
	31.3.2023	31.3.2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Foreign exchange gains	1,105	238
Fair value gains/(losses) of convertible bonds (<i>note 10</i>)	11	(2,113)
	<u>1,116</u>	<u>(1,875)</u>

5. ALLOWANCE OF IMPAIRMENT ON TRADE RECEIVABLES

	Three months ended	
	31.3.2023	31.3.2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Allowance of impairment on trade receivables	14,260	9,032

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the Current Period are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2022.

The following table provides information about the Group's exposure to credit risk and expected credit losses ("ECL") for trade receivables based on invoice dates as at 31 March 2023:

	2023		
	Gross carrying amount	Expected loss rate	Total allowance for impairment
	RMB'000	%	RMB'000
0–60 days	208,128	9.57%	19,928
61–180 days	—	N/A	—
181–270 days	—	N/A	—
271 days–1 year	—	N/A	—
Over 1 year but within 2 years	8,753	71.68%	6,274
Over 2 years	281,015	100.00%	281,015
	497,896		307,217

The following table provides information about the Group's exposure to credit risk and ECL for trade receivables based on invoice dates as at 31 December 2022:

	2022		
	Gross carrying amount <i>RMB'000</i>	Expected loss rate %	Total allowance for impairment <i>RMB'000</i>
0–60 days	89,901	8.90%	8,002
61–180 days	—	N/A	—
181–270 days	13,853	19.48%	2,698
271 days–1 year	—	N/A	—
Over 1 year but within 2 years	53,181	80.20%	42,652
Over 2 years	239,604	100.00%	239,604
	<u>396,539</u>		<u>292,956</u>

6. INCOME TAX EXPENSE

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

	Three months ended	
	31.3.2023 <i>RMB'000</i> (unaudited)	31.3.2022 <i>RMB'000</i> (unaudited)
Current tax		
Provision for the period — the PRC	<u>30</u>	<u>—</u>

No provision for Hong Kong Profits Tax was required since the Group had no assessable profits for both periods.

PRC Corporate Income Tax has been provided at a rate of 25% for both periods, except for subsidiaries eligible to be a “Small and Low-profit Enterprise” under PRC Corporate Income Tax Law to enjoy a beneficial rate of 20%.

Tax charged on profits assessable elsewhere has been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

7. LOSS FOR THE PERIOD

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

	Three months ended	
	31.3.2023	31.3.2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Directors' and chief executive's emoluments	1,298	950
Salaries and other allowances	1,817	1,654
Retirement benefit scheme contributions	272	317
Depreciation of property, plant and equipment:		
— recognised in cost of sales	2,583	2,583
— recognised in administrative expenses	267	342
Depreciation of right-of-use assets	507	783

8. LOSS PER SHARE

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

	Three months ended	
	31.3.2023	31.3.2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Loss attributable to owners of the Company		
Loss for the purpose of calculating basic and diluted loss per share	(14,028)	(11,502)

	Three months ended	
	31.3.2023	31.3.2022
	'000	'000
	(unaudited)	(unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	3,666,936	3,666,936

The computation of diluted loss per share for both periods did not assume the exercises of the Company's outstanding share options and convertible bonds as these are anti-dilutive.

9. DIVIDENDS

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

10. CONVERTIBLE BONDS

On 16 November 2020, the Group issued convertible bonds with a principal amount of HK\$97,800,000 (the “Convertible Bonds”), bearing interest at a coupon rate of 8% per annum payable semi-annually, at a consideration of HK\$97,800,000 to New York Limited, a company wholly owned by Kai Yuan Holdings Limited listed on the Main Board of the Stock Exchange (the “Subscriber”), of which Mr. Hu Yishi (the Executive Director of the Company) as a substantial shareholder having no control or significant influence and Ms. Lin Min, Mindy (the Executive Director of the Company and the spouse of Mr. Hu Yishi) as also deemed to be a substantial shareholder having no control or significant influence. The Subscriber has the option to convert the convertible bonds into ordinary shares of the Company on or after 16 November 2020 up to and including 16 November 2023 at an initial conversion price of HK\$0.27 per share, subject to adjustments from certain terms and conditions. Any convertible bonds not converted will be redeemed on 16 November 2023 at 100% of the principal amount.

The convertible bonds was designated and initially recognised as financial liabilities at fair value through profit or loss, and the valuations of which were performed by Avista Valuation Advisory Limited, an independent qualified professional valuer engaged by the Group to assist on the fair value determination as at 31 March 2023 and 31 March 2022 using Binomial model.

The movement of the convertible bonds is as follows:

	<i>RMB'000</i>
At 1 January 2023 (audited)	85,096
Fair value gains (note 4)	(11)
Exchange difference	(1,702)
	<hr/>
At 31 March 2023 (unaudited)	83,383
	<hr/> <hr/>
	<i>RMB'000</i>
At 1 January 2022 (audited)	78,796
Fair value losses (note 4)	2,113
Exchange difference	(635)
	<hr/>
At 31 March 2022 (unaudited)	80,274
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11. RESERVES

Movement in the reserves of the Group for both periods are set out in the condensed consolidated statement of changes in equity on page 4.

12. RELATED PARTY TRANSACTIONS

The directors of the Company and the five highest paid employees are identified as key management members of the Group, whose compensation for both periods are as follows:

	Three months ended	
	31.3.2023	31.3.2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Directors' fee	308	287
Salaries and other allowances	1,142	901
Retirement benefit scheme contributions	42	37
	<hr/>	<hr/>
	1,492	1,225
	<hr/> <hr/>	<hr/> <hr/>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the Current Period, the Group's total revenue amounted to approximately RMB123.0 million, increased approximately 13.1% from approximately RMB108.8 million for the Corresponding Period.

The Energy Business continued to contribute over 99% to the Group's total revenue. A net loss after tax of approximately RMB16.2 million was recorded for the Current Period as compared to a net loss after tax of approximately RMB12.6 million recorded in the Corresponding Period, mainly due to increase in allowance of impairment on trade receivables and administrative expenses.

Loss and total comprehensive income attributable to owners of the Company for the Current Period amounted to approximately RMB14.0 million compared to loss and total comprehensive income attributable to owners of the Company of approximately RMB11.5 million recorded for the Corresponding Period.

Energy Business

The Group is principally engaged in the provision of diverse integrated 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 sales of LNG.

During the Current Period, the Energy Business generated revenue primarily from LNG supply and the management of customers' LNG supply station, and starting in the first quarter of 2023, the government of China has lifted the travel restrictions, and the Group immediately resumes the communications with the Group's existing and potential business partners.

But the LNG supply business remained highly competitive in terms of price that squeezed the margins. The economy needs time to pick up and return the growth track and no new projects were secured for the construction related and consultancy services of the Energy Business during the Current Period. The coal-to-natural gas conversion in Tianjin is also becoming saturated and the Group expects the number of new projects to continue to decrease in the future.

The Group's strategic cooperation with a wholly-owned subsidiary of a top Fortune Global 500 company, namely Jiangsu Shagang Group Co., Ltd. signed in September 2021 commenced operation in April 2022 through the supply of LNG to the partner and the management of its LNG supply station. The contribution from the Group is on expected to rise and scalability is building up following the economy rebounds. This reassures the Group's confidence in LNG business.

The Group continues to maintain strategic partnerships with Tractebel Engineering S.A. from France and a number of other significant partners with a view to explore new business opportunities with potential customers.

New Energy Business is renamed to Energy Business to in line with the definition of different types of energy sources in the market.

Property Investments

The Group owns two office premises on Beijing West Road, Jing An District, Shanghai, the PRC. In November 2022, one of the properties was redesignated for self-use and transferred from investment property to property, plant and equipment. The other one was held for investment purpose and it generated rental income. The investment properties were expected to bring stable long-term rental income to the Group.

FINANCIAL REVIEW

Revenue

For the Current Period, revenue of the Group amounted to approximately RMB123.0 million, representing an increase of 13.1% from approximately RMB108.8 million for the Corresponding Period. The increase was mainly attributable to the sales of LNG to new customers in Tianjin and Shanghai commenced from January 2023 and April 2022, respectively.

Cost of Sales

The cost of sales for the Energy Business amounted to approximately RMB124.7 million (Corresponding Period: approximately RMB111.1 million). The increase mainly represented the increase in cost in LNG supply during the Current Period.

Gross Loss Margin

Gross loss represents revenue less cost of sales. Gross loss margin of the Energy Business segment decreased from 2.2% for the Corresponding Period to 1.4% for the Current Period. The intense price competition and price fluctuation of LNG led to a thin margin which could not cover the fixed direct cost for both periods.

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

Other Gains/(Losses)

Other gains of approximately RMB1.1 million were recorded in the Current Period as compared to other losses of approximately RMB1.9 million in the Corresponding Period, mainly due to the fair value gains of Convertible Bonds of approximately RMB0.1 million recognised in the Current Period (Corresponding Period: fair value losses of approximately RMB2.1 million) and the foreign exchange gains of approximately RMB1.1 million recognised in the Current Period (Corresponding Period: approximately RMB0.2 million).

Administrative Expenses

Administrative expenses increased by 39.7% from approximately RMB4.8 million for the Corresponding Period to approximately RMB6.7 million for the Current Period. The increase was mainly due to increase in travelling expense and salaries and other allowances.

Income Tax Expense

Income tax expense was recorded approximately RMB0.1 million for the Current Period (Corresponding Period: RMB nil). It was derived from PRC income tax for the Current Period.

Loss and Total Comprehensive Income Attributable to Non-controlling Interests

Loss and total comprehensive income attributable to non-controlling interests increased by 87.6% from approximately RMB1.1 million for the Corresponding Period to approximately RMB2.1 million for the Current Period. This was mainly attributable to the net loss recorded by the non-wholly owned subsidiaries in Tianjin for the Current Period.

Loss and Total Comprehensive Income Attributable to Owners of the Company

Loss and total comprehensive income attributable to owners of the Company recorded an increase by 22.0% from approximately RMB11.5 million for the Corresponding Period to approximately RMB14.0 million for the Current Period.

Basic and diluted loss per share for the Current Period were both RMB0.004, as compared to basic and diluted loss per share of RMB0.003 for the Corresponding Period.

PROSPECTS

Green energy LNG is the energy alternative of the future and as such, the potential for domestic growth in China remains significant. It is national policy of using natural gas to displace oil and coal is consistent with the two long-term carbon goals of peaking carbon emissions by 2030 and carbon neutrality by 2060. China's real GDP growth is forecast to improve from 3% in 2022 to 4.5% in 2023, renewable power generation will continue to surge.

The appetite for more natural gas and LNG is partly due to the government's drive to reduce coal use, not only in combating pollution but also for meeting its Paris climate conference commitments. On the opening session of the 20th National Congress of the Communist Party of China, the government delivered report on emphasis of respecting, adapting to and protecting nature is essential for building China into a modern socialist country in all respects. Among the major points that the government highlighted to promote harmony between humans and nature are accelerating the transition to a model of green development and working actively and prudently toward the country's climate targets. China aims to peak carbon dioxide emissions before 2030 and achieve carbon neutrality before 2060. China will implement a comprehensive conservation strategy, boost green and low-carbon industries, encourage green consumption and promote green and low-carbon ways of production and life. It is projected that the gas and LNG share in China's energy mix will increase from the current 7% to 12% or more by 2040.

China is speeding up construction of infrastructure for gas and LNG transportation. China plans to expand LNG terminals along its eastern coast, forming five major regional gas reserve groups designed to reach a capacity of 20 bcm by 2020. All these measures are in anticipation of China consuming up to 400 bcm of gas per year by the end of the decade. At the same time, China is planning for 34 coastal LNG receiving terminals, with an annual imported capacity of 247 million tonnes by 2035, triple the current capacity.

As the world's largest importer of natural gas, the country recently lifted its Covid restrictions, which stifled domestic demand throughout last year. China's gas consumption decreased by 1% in 2022 as a result of lower growth in economic and especially industrial activity, Covid-related restrictions and high prices. China's domestic LNG demand however could increase by 10% in 2023. Even optimistic is that China's renewed demand growth may be as high as 35% if prices continue to fall and general economic activity recovers swiftly.

The government is pursuing an active go-out strategy for security of the gas and LNG supply. While expanding domestic pipeline and storage infrastructure, China has also enhanced pipeline delivery capacities from Central Asia, Burma and Russia. In terms of LNG import, China has signed long-term contracts with countries such as Australia, Qatar, Malaysia, Indonesia and Russia.

China's government has initiated policies to promote LNG bunkering along its waterways. In 2022, Shanghai Port became China's first port to provide this capability. Therefore, the Group will increase its eyeballs at Shanghai and its neighboring cities to capture the recovery growth.

At present, the Group's priority remains to recover, develop and expand the scope of its Energy Business and to expand its emerging network and geographical footprint as China recovers from the epidemic while seeking opportunities to enter other overseas markets, such as Europe, to expand its market presence.

The Group will continue to expand its business through forming new joint ventures and mergers and acquisitions, including but not limited to ensuring stable LNG supply and LNG supply station management services.

FUNDRAISINGS THROUGH ISSUANCE OF CONVERTIBLE BONDS

On 16 November 2020, 3-year Convertible Bonds were issued by the Company to the Subscriber under the general mandate pursuant to the Subscription Agreement dated 2 November 2020 entered into between the Company and the Subscriber. The Convertible Bonds can be converted into shares of the Company at an initial conversion price of HK\$0.27 per conversion share (subject to adjustment), during the conversion period of 3 years from 16 November 2020. Upon exercise of the conversion rights attached to the Convertible Bonds in full, the Convertible Bonds are convertible into 362,222,222 new shares of the Company at an initial conversion price of HK\$0.27 per conversion share (subject to adjustment), representing approximately 10% of the existing issued share capital of the Company on 16 November 2020.

The Board considers that the Subscription (as defined in the announcement of the Company dated 2 November 2020) represents an opportunity to strengthen the financial position of the Group while broadening the investor base and capital base of the Group potentially. The Directors are of the view that the Subscription is fair and reasonable and is in the interests of the Company and the shareholders of the Company as a whole.

As at 31 March 2023, no Convertible Bonds have been converted into new conversion shares of the Company.

For further details, please refer to the announcements of the Company dated 2 November 2020 and 16 November 2020 published on the websites of the Company and the Stock Exchange.

USE OF PROCEEDS

On 16 November 2020, the Company has issued the Convertible Bonds to New York Limited under general mandate. The net proceeds from the issue of the Convertible Bonds are approximately HK\$97.5 million (equivalent to approximately RMB82.7 million). The Company intends to use the net proceeds as to 50% for general working capital of the Group and as to 50% for enhancement of the existing business of the Group. The net proceeds are expected to be fully applied by 2023.

As at 31 March 2023, the Company has utilized approximately HK\$47.3 million (equivalent to approximately RMB41.4 million) for general working capital of the Group and approximately HK\$14.9 million (equivalent to approximately RMB13.0 million) for enhancement of the existing business of the Group.

The intended and actual use of proceeds from the issuance of Convertible Bonds up to 31 March 2023 is set out as follows:

Net proceeds raised	Proposed use of proceeds	Utilised proceeds up to 31 March 2023	Unutilised proceeds up to 31 March 2023	Expected timeline for use of unutilized proceeds
approximately HK\$97.5 million (equivalent to approximately RMB82.7 million)	(i) general working capital of the Group (50%)	approximately RMB41.4 million	Nil	By 2023
	(ii) enhancement of the existing business of the Group (50%)	approximately RMB13.0 million	approximately RMB28.3 million	By 2023

CAPITAL STRUCTURE

During the Current Period, no shares was issued and allotted. As at 31 March 2023, the Company had an aggregate of 3,666,936,000 shares of HK\$0.00125 each in issue.

DIVIDENDS

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

FOREIGN CURRENCY EXPOSURE

The business operations of the Group's subsidiaries were conducted mainly in the PRC with revenues and expenses of the Group's subsidiaries denominated mainly in RMB, with some denominated in Hong Kong dollars. Some of the Group's cash and bank deposits were denominated in RMB, while others were denominated in Hong Kong dollars. Any significant exchange rate fluctuations of Hong Kong dollars against RMB as

the functional currency may have a financial impact to the Group. The Group managed its foreign exchange risks by performing regular review and monitoring of the foreign exchange exposure. The Group would consider employing foreign exchange hedging arrangements when appropriate and necessary. During the Current Period, the Group did not use any financial instruments for hedging purpose (Corresponding Period: Nil).

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

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

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

SHARE OPTION SCHEME

The Company operates a share option scheme (the “Scheme”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. The Scheme is valid and effective for a period of 10 years commencing on 12 December 2011 and may continue to be exercisable in accordance with their terms of issue. The Board may grant options to Directors and eligible employees and consultants of the Company or its subsidiaries to subscribe for shares in the Company at a consideration equal to the higher of the closing price of the shares of the Company on the Stock Exchange at the date of offer of grant and the average closing prices of the shares of the Company on the Stock Exchange for the five trading days immediately preceding the date of grant of the options. Options granted must be taken up within 28 days from the date of grant, upon payment of HK\$1.00. Options may be exercised at any time from the date of grant of the share option up to the tenth anniversary of the date of grant as determined by the Directors at their discretion. The maximum number of shares of the Company in respect of which options may be granted, when aggregated with any other share option scheme of the Company, shall not exceed 30% of the issued share capital of the Company from time to time excluding any share issued upon the exercise of option granted pursuant to the Scheme. The maximum number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the shares in issue upon the date of which the shares are listed and permitted to be dealt in the Stock Exchange. The 10% limit may be refreshed at any time by approval of the Company’s shareholders provided that the total number of shares which may be issued upon exercise of all options to be granted under all of the schemes of the Company under the limit as “refreshed” must not exceed 10% of the shares in issue as at the date of approval of the limit. The total number of shares issued and to be issued upon exercise of the options granted to a participant under the Scheme (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares in issue from time to time.

During the year 2014, the Company granted 28,000,000 share options to the Company's Directors, employees and consultants at the exercise price of HK\$0.81 per option (i.e. 224,000,000 share options with the exercise price of HK\$0.10125 each after the share subdivision on 20 May 2016). During the year 2017, the Company granted 343,536,000 share options to the Company's Directors, employees and consultants at the exercise price of HK\$0.289 per option. As at 31 March 2023, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 212,480,000 (31 March 2022: 212,480,000), representing 5.8% (31 March 2022: 5.8%) of the shares of the Company in issue at that date. Details of the movements of share options granted, exercised or cancelled/forfeited during the Current Period and outstanding as at 31 March 2023, are as follows:

	Number of share options					Exercise period	Closing price immediately before the date of grant	
	At 1 January 2023	Granted during the period	Exercised during the period	Cancelled/forfeited during the period	Outstanding as at 31 March 2023		Exercise price HK\$	the date of grant HK\$
Directors								
Mr. Hu Yishi	2,880,000	—	—	—	2,880,000	9 June 2018 to 9 June 2024	0.289	0.28
	2,880,000	—	—	—	2,880,000	9 June 2019 to 9 June 2024	0.289	0.28
	2,880,000	—	—	—	2,880,000	9 June 2020 to 9 June 2024	0.289	0.28
Mr. Chan Wing Yuen, Hubert	11,448,000	—	—	—	11,448,000	9 June 2018 to 9 June 2024	0.289	0.28
	11,448,000	—	—	—	11,448,000	9 June 2019 to 9 June 2024	0.289	0.28
	11,448,000	—	—	—	11,448,000	9 June 2020 to 9 June 2024	0.289	0.28
Ms. Lin Min, Mindy	2,880,000	—	—	—	2,880,000	9 June 2018 to 9 June 2024	0.289	0.28
	2,880,000	—	—	—	2,880,000	9 June 2019 to 9 June 2024	0.289	0.28
	2,880,000	—	—	—	2,880,000	9 June 2020 to 9 June 2024	0.289	0.28
Ms. Kwong Wai Man, Karina	11,448,000	—	—	—	11,448,000	9 June 2018 to 9 June 2024	0.289	0.28
	11,448,000	—	—	—	11,448,000	9 June 2019 to 9 June 2024	0.289	0.28
	11,448,000	—	—	—	11,448,000	9 June 2020 to 9 June 2024	0.289	0.28
Ms. Ma Lee	1,144,000	—	—	—	1,144,000	9 June 2018 to 9 June 2024	0.289	0.28
	1,144,000	—	—	—	1,144,000	9 June 2019 to 9 June 2024	0.289	0.28
	1,144,000	—	—	—	1,144,000	9 June 2020 to 9 June 2024	0.289	0.28
Mr. Lau Kwok Kee	1,144,000	—	—	—	1,144,000	9 June 2018 to 9 June 2024	0.289	0.28
	1,144,000	—	—	—	1,144,000	9 June 2019 to 9 June 2024	0.289	0.28
	1,144,000	—	—	—	1,144,000	9 June 2020 to 9 June 2024	0.289	0.28
Total Directors	92,832,000	—	—	—	92,832,000			
Employees	22,776,000	—	—	—	22,776,000	9 June 2018 to 9 June 2024	0.289	0.28
	27,776,000	—	—	—	27,776,000	9 June 2019 to 9 June 2024	0.289	0.28
	39,216,000	—	—	—	39,216,000	9 June 2020 to 9 June 2024	0.289	0.28
Total Employees	89,768,000	—	—	—	89,768,000			
Consultants	1,664,000	—	—	—	1,664,000	9 June 2019 to 9 June 2024	0.289	0.28
	28,216,000	—	—	—	28,216,000	9 June 2020 to 9 June 2024	0.289	0.28
Total Consultants	29,880,000	—	—	—	29,880,000			
Total All Categories	212,480,000	—	—	—	212,480,000			
Exercisable at the end of the period					212,480,000			

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

At 31 March 2023, 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, 3	Interest of controlled corporation	547,184,000	14.92%
Ms. Lin Min, Mindy	2, 3	Interest of controlled corporation and beneficial owner	493,456,000	13.46%
Mr. Chan Wing Yuen, Hubert		Beneficial owner	22,400,000	0.61%
Ms. Kwong Wai Man, Karina		Beneficial owner	22,400,000	0.61%
Ms. Ma Lee		Beneficial owner	2,240,000	0.06%

Notes:

- Mr. Hu Yishi ("Mr. Hu") is deemed to be interested in 448,000,000 shares held by Smart Lane Global Limited, a subsidiary of Yuan Rong Century Investment Holdings Limited ("Yuan Rong"), where the entire issued share capital of which is held by Mr. Hu. Mr. Hu is also deemed to be interested in 99,184,000 shares held by Front Riches Investments Limited, a company which is 100% controlled by Mr. Hu.
- Ms. Lin Min, Mindy ("Ms. Lin") is deemed to be interested in 448,000,000 shares held by Uprise Global Investments Limited and in 23,056,000 shares held by Gainup Limited respectively, both companies were 100% controlled by Ms. Lin. Ms. Lin also interested in 22,400,000 shares which beneficially owned by herself.

3. On 11 April 2023, Ms. Lin Min, Mindy, Smart Lane Global Limited, Front Riches Investments Limited, Uprise Global Investments Limited, and Gainup Limited (collectively, the “Sellers”) have collectively entered into a sale and purchase agreement (the “SPA”) with Mr. Wang Xiangming (the “Purchaser”), pursuant to which the Sellers agreed to sell a total of approximately 28.38% of the total issued Shares, equivalent to an aggregate of 1,040,640,000 Shares. Pursuant to the terms and conditions of the SPA, this transaction shall be completed on the 60th day from the date of the SPA (if such day is not a business day as defined in the SPA (the “Business Day”), then the next following Business Day shall be deemed the 60th day), or such other date to be mutually agreed by the Sellers and the Purchaser. Upon completion of the transaction contemplated in the SPA, the Purchaser shall be interested in an aggregate of 1,040,640,000 Shares of the Company, representing 28.38% of the issued Shares. Ms. Lin Min, Mindy, Smart Lane Global Limited, Front Riches Investments Limited, Uprise Global Investments Limited, and Gainup Limited will no longer hold any Shares of the Company.

For further details, please refer to the announcement of the Company dated 11 April 2023 published on the websites of the Company and the Stock Exchange.

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

Name of Director	Nature of interest	Number of underlying shares (Note)
Mr. Hu Yishi	Beneficial owner	8,640,000
Mr. Chan Wing Yuen, Hubert	Beneficial owner	34,344,000
Ms. Lin Min, Mindy	Beneficial owner	8,640,000
Ms. Kwong Wai Man, Karina	Beneficial owner	34,344,000
Ms. Ma Lee	Beneficial owner	3,432,000
Mr. Lau Kwok Kee	Beneficial owner	3,432,000

Note: The outstanding share options 92,832,000 were granted by the Company to Directors on 9 June 2017 at the exercise price of HK\$0.289 per option. The details of outstanding share options are shown under the section “Share Option Scheme” of this announcement.

Saved as disclosed above, as at 31 March 2023, 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 and their respective associates (as defined under the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group.

DEED OF NON-COMPETITION

The deed of non-competition was no longer applied for both of the Current Period and the Corresponding Period.

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

As at 31 March 2023, so far as is known to the Directors, the following persons, not being Directors or chief executives of the Company had, or were deemed to have, interests or short position in the shares or underlying shares which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 Part XV of the SFO; or who is directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

Long position in ordinary shares and underlying shares of the Company

Name	Capacity and nature of interest	Number of shares	Number of underlying shares	Percentage of the Company's issued share capital
Depot Up Limited <i>(Note 1)</i>	Beneficial owner	640,000,000	—	17.45%
Mr. Song Zhi Cheng <i>(Note 2)</i>	Interest of controlled corporation	640,000,000	—	17.45%
Smart Lane Global Limited <i>(Note 3 & 7)</i>	Beneficial owner	448,000,000	—	12.22%
Uprise Global Investments Limited <i>(Note 4 & 7)</i>	Beneficial owner	448,000,000	—	12.22%
Blossom Merit Limited <i>(Note 5)</i>	Beneficial owner	219,112,000	—	5.98%
Mr. Chan Tai Neng <i>(Note 6)</i>	Interest of controlled corporation	219,112,000	—	5.98%

Notes:

1. Depot Up Limited, a company incorporated in the Republic of Seychelles on 23 February 2015 with limited liability is an investment holding company where the entire issued share capital of which is held by Mr. Song Zhi Cheng.
2. Mr. Song Zhi Cheng is deemed to be interested in 640,000,000 shares through his interest in Depot Up Limited.
3. Smart Lane Global Limited, a company incorporated in Samoa on 19 February 2014 with limited liability and is an investment holding company which is a subsidiary of Yuan Rong where the entire issued share capital of which is held by Mr. Hu, an executive Director and executive chairman.
4. Uprise Global Investments Limited, a company incorporated in the British Virgin Islands on 19 December 2013 with limited liability is an investment holding company where the entire issued share capital of which is held by Ms. Lin, an executive Director.
5. Blossom Merit Limited, a company incorporated in British Virgin Islands on 6 July 2011 with limited liability is an investment holding company where the entire issued share capital of which is held by Mr. Chan Tai Neng and Mr. Cheung Chi Keung (both being former executive Directors) in the proportion of 90% and 10% respectively as at the 30 September 2017.
6. Mr. Chan Tai Neng is deemed to be interested in 219,112,000 shares held by Blossom Merit Limited. The issued share capital of Blossom Merit Limited is owned 90% by Mr. Chan Tai Neng and 10% by Mr. Cheung Chi Keung (both being former executive Directors).
7. On 11 April 2023, Ms. Lin Min, Mindy, Smart Lane Global Limited, Front Riches Investments Limited, Uprise Global Investments Limited, and Gainup Limited (collectively, the “Sellers”) have collectively entered into a sale and purchase agreement (the “SPA”) with Mr. Wang Xiangming (the “Purchaser”), pursuant to which the Sellers agreed to sell a total of approximately 28.38% of the total issued Shares, equivalent to an aggregate of 1,040,640,000 Shares. Pursuant to the terms and conditions of the SPA, this transaction shall be completed on the 60th day from the date of the SPA (if such day is not a business day as defined in the SPA (the “Business Day”), then the next following Business Day shall be deemed the 60th day), or such other date to be mutually agreed by the Sellers and the Purchaser. Upon completion of the transaction contemplated in the SPA, the Purchaser shall be interested in an aggregate of 1,040,640,000 Shares of the Company, representing 28.38% of the issued Shares. Ms. Lin Min, Mindy, Smart Lane Global Limited, Front Riches Investments Limited, Uprise Global Investments Limited, and Gainup Limited will no longer hold any Shares of the Company.

For further details, please refer to the announcement of the Company dated 11 April 2023 published on the websites of the Company and the Stock Exchange.

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

Save as disclosed above, as at 31 March 2023, 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 other body corporate.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the Current Period.

COMMUNICATION WITH SHAREHOLDERS

The Board communicates with the shareholders through the annual general meetings and extraordinary general meetings. In compliance with the requirements of the 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.

CORPORATE GOVERNANCE

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

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

AUDIT COMMITTEE

The Company established an audit committee (the “Audit Committee”) pursuant to a resolution of the Directors passed on 12 December 2011 with written terms of reference in compliance with Rule 5.28 and Rule 5.29 of the GEM Listing Rules. The written terms of reference of the audit committee was adopted in compliance with paragraph D.3.3 of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the audit committee, among other things, are to make recommendation to the Board on the appointment, re-appointment and removal of external auditor; review the financial statements and material advice in respect of financial reporting; oversee internal audit functions, internal control procedures and risk management matters of the Company.

As at 31 March 2023, 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 unaudited first quarterly financial statements for the Current Period and is of the opinion that the preparation of such statements complied with the applicable accounting standards and that adequate disclosures have been made.

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

Hong Kong, 15 May 2023

As at the date of this announcement, the executive Directors are Mr. Hu Yishi, Mr. Chan Wing Yuen, Hubert, Ms. Lin Min, Mindy and Ms. Kwong Wai Man, Karina; and the independent non-executive Directors are Ms. Ma Lee, Mr. Lau Kwok Kee and Ms. Qin Xuwen.

This announcement will remain on the GEM website at <http://www.hkgem.com> on the “Latest Listed Company Information” page for at least seven days from the day of its posting and on the website of the Company at <http://www.8246hk.com>.