中油潔能

SINO GAS HOLDINGS GROUP LIMITED
中油潔能控股集團有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 1759)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS

Revenue during the year was approximately RMB1,278.9 million, increasing by 4.8% compared to last year, because of the increase in sales volume from the LPG wholesale, CNG and LNG businesses.

Due to the decline in sales volume of LPG vehicle gas which had relatively higher gross profit, the overall gross profit was approximately RMB143.5 million, representing a decrease of 20.8% from last year.

The profit during the year was approximately RMB20.5 million, a decrease of 50.1% compared with last year.

THE FINANCIAL STATEMENTS

The board (the "**Board**") of directors (the "**Directors**") of Sino Gas Holdings Group Limited (the "**Company**") hereby announces the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**", "**Our Group**", "**we**" or "**us**") for the year ended 31 December 2019, together with comparative figures for the year ended 31 December 2018, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2019
*(Expressed in Renminbi (“**RMB**”))*

	Note	2019	2018
			(Note)
		RMB'000	*RMB'000*
Revenue	*3(a)*	**1,278,898**	1,220,011
Cost of sales		**(1,135,389)**	(1,038,851)
Gross profit	*3(b)*	**143,509**	181,160
Other income	*4*	**16,780**	7,556
Staff costs	*5(b)*	**(44,701)**	(43,502)
Depreciation and amortisation	*5(c)*	**(21,519)**	(13,316)
Operating lease charges	*5(c)*	**(4,918)**	(17,138)
Other operating expenses		**(42,910)**	(44,422)
Profit from operations		**46,241**	70,338
Finance costs	*5(a)*	**(13,244)**	(8,895)
Share of profits less losses of joint ventures		**253**	66
Profit before taxation	*5*	**33,250**	61,509
Income tax	*6*	**(12,763)**	(20,483)
Profit for the year		**20,487**	41,026
Attributable to:			
Equity shareholders of the Company		**22,045**	37,634
Non-controlling interests		**(1,558)**	3,392
Profit for the year		**20,487**	41,026
Earnings per share (RMB)			
— Basic and diluted	*7*	**0.10**	0.23

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See Note 2(c).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019
(Expressed in RMB)

	2019	2018
		(Note)
	RMB'000	*RMB'000*
Profit for the year	**20,487**	41,026
Other comprehensive income for the year (after tax):		
Items that may be reclassified subsequently to profit or loss:		
— Exchange differences on translation into presentation currency of the Group	**1,625**	76
Total comprehensive income for the year	**22,112**	41,102
Attributable to:		
Equity shareholders of the Company	**23,670**	37,710
Non-controlling interests	**(1,558)**	3,392
Total comprehensive income for the year	**22,112**	41,102

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See Note 2(c).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019
(Expressed in RMB)

	Note	31 December 2019 RMB'000	31 December 2018 (Note) RMB'000
Non-current assets			
Property, plant and equipment		**217,380**	156,410
Lease prepayments		**–**	15,373
Interests in joint ventures		**35,070**	37,817
Other financial assets		**4,990**	13,700
Deferred tax assets		**6,645**	5,754
		264,085	229,054
Current assets			
Inventories		**2,174**	3,927
Trade receivables	*8*	**107,166**	84,096
Prepayments, deposits and other receivables		**53,900**	165,264
Income tax recoverable		**3,739**	–
Cash at bank and on hand		**166,315**	239,575
		333,294	492,862
Current liabilities			
Bank loans		**136,370**	275,233
Trade and bills payables	*9*	**1,474**	36,179
Accrued expenses and other payables		**37,650**	49,071
Lease liabilities		**8,172**	–
Income tax payable		**–**	3,029
		183,666	363,512
Net current assets		**149,628**	129,350
Total assets less current liabilities		**413,713**	358,404

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
At 31 December 2019
(Expressed in RMB)

	Note	**31 December 2019** *RMB'000*	31 December 2018 *(Note)* *RMB'000*
Non-current liabilities			
Other financial liabilities		**463**	–
Lease liabilities		**40,426**	–
Deferred tax liabilities		**679**	–
		41,568	–
NET ASSETS		**372,145**	358,404
CAPITAL AND RESERVES			
Share capital	*10*	**1,892**	1,892
Reserves		**342,258**	318,588
Total equity attributable to equity shareholders of the Company		**344,150**	320,480
Non-controlling interests		**27,995**	37,924
TOTAL EQUITY		**372,145**	358,404

Note: The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See Note 2(c).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

1 CORPORATE INFORMATION

Sino Gas Holdings Group Limited (the "**Company**") was incorporated in the Cayman Islands on 26 March 2018 as an exempted company with limited liability under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 28 December 2018. The Company and its subsidiaries (collectively referred to as the "**Group**") are principally engaged in the retail and wholesale of liquefied petroleum gas ("**LPG**"), compressed natural gas ("**CNG**") and liquefied natural gas ("**LNG**") in the People's Republic of China (the "**PRC**").

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations issued by the International Accounting Standards Board (the "**IASB**") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2019 comprise the Group and the Group's interests in joint ventures.

The measurement basis used in the preparation of the financial statements is the historical cost basis except for other investments in equity securities and derivative financial instruments which are stated at their fair values.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(c) Changes in accounting policies

The IASB has issued a new IFRS, IFRS 16, *Leases*, and a number of amendments to IFRSs that are first effective for the current accounting period of the Group.

Except for IFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

IFRS 16, Leases

IFRS 16 replaces IAS 17, *Leases*, and the related interpretations, IFRIC 4, Determining whether an arrangement contains a lease, SIC 15, *Operating leases — incentives*, and SIC 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("**short-term leases**") and leases of low-value assets. The lessor accounting requirements are brought forward from IAS 17 substantially unchanged.

IFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied IFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under IAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

a. New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. IFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in IFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under IAS 17 continue to be accounted for as leases under IFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

b. Lessee accounting and transitional impact

IFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by IAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under IAS 17, other than those short-term leases and leases of low-value assets which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment.

At the date of transition to IFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The incremental borrowing rates used for determination of the present value of the remaining lease payments were in the range of 5.00%–5.49%.

To ease the transition to IFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of IFRS 16:

(i) the Group elected not to apply the requirements of IFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of IFRS 16, i.e. where the lease term ends on or before 31 December 2019;

(ii) when measuring the lease liabilities at the date of initial application of IFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and

(iii) when measuring the right-of-use assets at the date of initial application of IFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

The following table reconciles the operating lease commitments as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019 *RMB'000*
Operating lease commitments at 31 December 2018	67,997
Less: commitments relating to short-term leases, other leases with remaining lease term ending on or before 31 December 2019 and levies	(6,678)
	61,319
Less: total future interest expenses	(14,023)
Total lease liabilities recognised at 1 January 2019	47,296

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position at 31 December 2018.

So far as the impact of the adoption of IFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of IFRS 16, other than changing the captions for the balances. Accordingly, instead of "obligations under finance leases", these amounts are included within "lease liabilities", and the depreciated carrying amount of the corresponding leased assets is identified as right-of-use assets. There is no impact on the opening balance of equity.

The following table summarises the impacts of the adoption of IFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018	**Capitalisation of operating lease contracts**	**Carrying amount at 1 January 2019**
	RMB'000	*RMB'000*	*RMB'000*
Line items in the consolidated statement of financial position impacted by the adoption of IFRS 16:			
Property, plant and equipment	156,410	65,370	221,780
Lease prepayments	15,373	(15,373)	–
Total non-current assets	**229,054**	**49,997**	**279,051**
Prepayments, deposits and other receivables	165,264	(2,701)	162,563
Total current assets	**492,862**	**(2,701)**	**490,161**
Lease liabilities (current)	–	5,435	5,435
Current liabilities	**363,512**	**5,435**	**368,947**
Net current assets	**129,350**	**(8,136)**	**121,214**
Total assets less current liabilities	**358,404**	**41,861**	**400,265**
Lease liabilities (non-current)	–	41,861	41,861
Total non-current liabilities	**–**	**41,861**	**41,861**
Net assets	**358,404**	**–**	**358,404**

c. *Impact on the financial result and cash flows of the Group*

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if IAS 17 had been applied during the year.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under IAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under IAS 17. Although total cash flows are unaffected, the adoption of IFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement.

The following tables give an indication of the estimated impact of the adoption of IFRS 16 on the Group's financial result and cash flows for the year ended 31 December 2019, by adjusting the amounts reported under IFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under IAS 17 if this superseded standard had continued to apply in 2019 instead of IFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under IAS 17.

	2019				2018
	Amounts reported under IFRS 16 (A) *RMB'000*	**Add back: IFRS 16 depreciation and interest expense (B)** *RMB'000*	**Deduct: Estimated amounts related to operating leases as if under IAS 17** *(Note 1)* **(C)** *RMB'000*	**Hypothetical amounts for 2019 as if under IAS 17 (D=A+B-C)** *RMB'000*	Compared to amounts reported for 2018 under IAS 17 *RMB'000*
Financial result for year ended 31 December 2019 impacted by the adoption of IFRS 16:					
Profit from operations	**46,241**	**9,284**	**9,897**	**45,628**	**70,338**
Finance costs	(13,244)	2,631	–	(10,613)	(8,895)
Profit before taxation	**33,250**	**11,915**	**9,897**	**35,268**	**61,509**
Profit for the year	**20,487**	**11,915**	**9,897**	**22,505**	**41,026**

	2019			2018
	Amounts reported under IFRS 16 (A) *RMB'000*	**Estimated amounts related to operating leases as if under IAS 17** *(Note 1&2)* **(B)** *RMB'000*	**Hypothetical amounts for 2019 as if under IAS 17 (C=A+B)** *RMB'000*	Compared to amounts reported for 2018 under IAS 17 *RMB'000*
Line items in the consolidated cash flow statement for year ended 31 December 2019 impacted by the adoption of IFRS 16:				
Cash generated from operations	36,884	(7,839)	29,045	61,581
Net cash generated from operating activities	**17,198**	**(7,839)**	**9,359**	**35,884**
Capital element of lease rentals paid	(5,208)	5,208	–	–
Interest element of lease rentals paid	(2,631)	2,631	–	–
Net cash (used in)/ generated from financing activities	**(43,488)**	**7,839**	**(35,649)**	**58,002**

Note 1: The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if IAS 17 had still applied in 2019. This estimate assumes that there were no differences between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under IAS 17, if IAS 17 had still applied in 2019. Any potential net tax effect is ignored.

Note 2: In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if IAS 17 still applied.

d. Lessor accounting

The Group leases out a number of items of properties, motor vehicles and equipment as the lessor of operating leases. The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under IAS 17.

Under IFRS 16, when the Group acts as an intermediate lessor in a sublease arrangement, the Group is required to classify the sublease as a finance lease or an operating lease by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset. The adoption of IFRS 16 does not have a significant impact on the Group's financial statements in this regard.

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

The Group is principally engaged in the retail and wholesale of LPG, CNG and LNG. Further details regarding the Group's principal activities are disclosed in Note 3(b).

Disaggregation of revenue from contracts with customers by major products is as follows.

Revenue from contracts with customers within the scope of IFRS 15	**2019** ***RMB'000***	2018 *RMB'000*
Disaggregated by major products:		
— LPG	**962,249**	976,395
— CNG	**276,273**	212,784
— LNG	**33,316**	25,691
— Others	**7,060**	5,141
	1,278,898	1,220,011

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic markets is disclosed in Note 3(b).

The Group's customer base is diversified and there is no customer with whom transactions have exceeded 10% of the Group's revenue for the year ended 31 December 2019 and 2018 except for the sales to a joint venture.

(b) Segment reporting

The Group manages its businesses by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Retail: This segment principally generates revenue from the sale of LPG, CNG and LNG to vehicular end-users by operating gas refuelling stations, industrial customers and bottled LPG end-users.

- Wholesale: This segment principally generates revenue from the sale of LPG, CNG and LNG to gas merchants.

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the cost of sales incurred by those segments. The measure used for reporting segment result is gross profit. Assistance provided by one segment to another, including sharing of assets and technical know-how, is not measured.

The Group's other income and expenses, such as staff costs, depreciation and amortisation, operation lease charges and other operation expenses, and assets and liabilities are not measured under individual segments. Accordingly, neither information on segment assets and liabilities nor information concerning capital expenditure, interest income and interest expenses is presented.

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2019 and 2018 is set out below.

	Retail		Wholesale		Total	
	2019	2018	**2019**	2018	**2019**	2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue recognised at a point in time from external customers and reportable segment revenue	**373,382**	482,655	**905,516**	737,356	**1,278,898**	1,220,011
Reportable segment gross profit	**125,470**	170,987	**18,039**	10,173	**143,509**	181,160

(ii) Reconciliation of reportable segment results to consolidated profit before taxation

	2019	2018
	RMB'000	*RMB'000*
Total reportable segment gross profit	**143,509**	181,160
Other income	**16,780**	7,556
Staff costs	**(44,701)**	(43,502)
Depreciation and amortisation	**(21,519)**	(13,316)
Operating lease charges	**(4,918)**	(17,138)
Other operating expenses	**(42,910)**	(44,422)
Finance costs	**(13,244)**	(8,895)
Share of profits less losses of joint ventures	**253**	66
Consolidated profit before taxation	**33,250**	61,509

(iii) Geographic information

The Group's revenue is substantially generated from the sales of LPG, CNG and LNG in the PRC. The Group's operating assets are substantially situated in the PRC. Accordingly, no segment analysis based on geographical locations of the customers and assets is provided.

4 OTHER INCOME

	2019 RMB'000	2018 RMB'000
Gain on disposal of subsidiaries	**5,480**	–
Gain on disposal of equity investments	**4,080**	–
Rental income from operating leases	**3,394**	2,422
Government grants	**2,685**	1,620
Interest income	**2,041**	1,779
Changes in fair value of other financial assets and liabilities	**1,177**	–
Net (loss)/gain on disposal of property, plant and equipment	**(780)**	113
Net foreign exchange (loss)/gain	**(1,980)**	68
Consultancy service income	**–**	943
Others	**683**	611
	16,780	7,556

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived after charging:

(a) Finance costs:

	2019 RMB'000	2018 *(Note)* RMB'000
Interest on bank loans	**10,613**	8,895
Interest on lease liabilities	**2,631**	–
	13,244	8,895

Note: The Group has initially applied IFRS 16 using the modified retrospective approach. Under this approach, the comparative information is not restated. See Note 2(c).

No borrowing costs have been capitalised during the year ended 31 December 2019 (2018: RMB Nil).

(b) Staff costs:

	2019 RMB'000	2018 RMB'000
Salaries, wages and other benefits	**41,849**	41,088
Contributions to defined contribution retirement plans	**2,852**	2,414
	44,701	43,502

The employees of the subsidiaries of the Group established in the PRC (excluding Hong Kong) participate in defined contribution retirement benefit schemes managed by the local government authorities, whereby these subsidiaries are required to contribute to the schemes at certain percentages of the employees' basic salaries. Employees of these subsidiaries are entitled to retirement benefits, calculated based on a percentage of the average salaries level in the PRC (excluding Hong Kong), from the above mentioned retirement schemes at their normal retirement age.

The Group has no further material obligation for payment of other retirement benefits beyond the above contributions.

(c) Other items:

	2019 *RMB'000*	2018 *RMB'000*
Depreciation charge		
— owned property, plant and equipment	**12,235**	12,634
— right-of-use assets*	**9,284**	–
Amortisation of lease prepayments	**–**	682
Total lease payments for leases previously classified as operating leases under IAS 17*	**–**	17,138
Operating lease charges relating to short-term leases	**4,918**	–
Auditors' remuneration:		
— annual audit services	**2,838**	1,634
— services in connection with the initial listing of the Company's shares	**–**	2,153
Impairment losses:		
— trade and other receivables	**997**	24
— property, plant and equipment	**547**	–
Cost of inventories	**1,135,389**	1,038,851

* The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17. After initial recognition of right-of-use assets at 1 January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See Note 2(c).

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

	2019 *RMB'000*	2018 *RMB'000*
Current tax		
Provision for the year	**12,975**	21,101
Deferred tax		
Origination and reversal of temporary differences	**(212)**	(618)
	12,763	20,483

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2019	2018
	RMB'000	*RMB'000*
Profit before taxation	**33,250**	61,509
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned *(Notes (i), (ii) and (iii))*	**8,167**	16,208
Tax effect of share of profits less losses of joint ventures	**(63)**	(17)
Tax effect of non-deductible expenses	**1,381**	2,228
Tax effect of tax losses not recognised	**2,709**	2,064
Tax effect of the withholding tax in connection with the undistributed profits of a joint venture *(Note (iv))*	**569**	–
Actual tax expense	**12,763**	20,483

Notes:

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("**BVI**"), the Company and the Group's BVI subsidiaries are not subject to income tax in those jurisdictions.

(ii) The Company and the subsidiaries of the Group incorporated in Hong Kong are subject to Hong Kong Profits Tax rate of 16.5% for the year ended 31 December 2019 (2018: 16.5%). These companies did not have assessable profits which are subject to Hong Kong Profits Tax for the year ended 31 December 2019 (2018: RMBNil).

(iii) The Group's PRC subsidiaries (excluding Hong Kong) are subject to PRC Corporate Income Tax at a rate of 25% during the year ended 31 December 2019 (2018: 25%).

(iv) Dividends receivable by non-PRC resident corporate investors from PRC-residents are subject to withholding tax at 10%, unless reduced by tax treaties or arrangements, for profit earned since 1 January 2008. The Group's Hong Kong subsidiaries are subject to PRC dividend withholding tax on dividends receivables from their PRC subsidiaries and joint ventures.

7 EARNINGS PER SHARE

(a) Basic earnings per share

The basic earnings per share for the year ended 31 December 2019 is calculated based on the profit attributable to equity shareholders of the Company of RMB22,045,000 and the weighted average of 216,000,000 ordinary shares in issue during the year.

The basic earnings per share for the year ended 31 December 2018 is calculated based on the profit attributable to equity shareholders of the Company of RMB37,634,000 and the weighted average of 162,592,000 ordinary shares, comprising:

(i) 10,000 ordinary shares in issue as at the date of the prospectus of the Company dated 14 December 2018 and 161,990,000 ordinary shares issued pursuant to the capitalisation issue on the completion of the initial public offering, as if the above total of 162,000,000 ordinary shares were outstanding throughout the year ended 31 December 2018; and

(ii) 54,000,000 ordinary shares issued on 28 December 2018 by initial public offering.

The calculation of the weighted average number of ordinary shares for the years ended 31 December 2019 and 2018 are as follows:

	2019	2018
Issued ordinary shares at 1 January	**216,000,000**	–
Issuance of share upon incorporation of the Company	**–**	1
Issuance of shares prior to the initial listing of the Company's shares	**–**	9,999
Effect of capitalisation issue on the completion of the initial public offering	**–**	161,990,000
Effect of shares issued by initial public offering	**–**	592,000
Weighted average number of ordinary shares at 31 December	**216,000,000**	162,592,000

(b) Diluted earnings per share

There were no dilutive potential shares outstanding during the years ended 31 December 2019 and 2018.

8 TRADE RECEIVABLES

	2019 *RMB'000*	2018 *RMB'000*
Trade receivables due from:		
— third parties	**82,862**	66,658
— related parties	**25,585**	17,597
	108,447	84,255
Less: loss allowance	**(1,281)**	(159)
Financial assets measured at amortised cost	**107,166**	84,096

All of the trade receivables, net of loss allowance, are expected to be recovered within one year.

Ageing analysis

As of the end of the reporting period, the ageing analysis of trade receivables, based on the invoice date and net of loss allowance, is as follows:

	2019 *RMB'000*	2018 *RMB'000*
Within 1 month	**58,223**	59,335
1 to 3 months	**40,102**	24,761
3 to 6 months	**8,831**	–
	107,166	84,096

9 TRADE AND BILLS PAYABLES

	2019	2018
	RMB'000	*RMB'000*
Trade payables	**1,474**	679
Bills payables	**–**	35,500
Financial liabilities measured at amortised cost	**1,474**	36,179

All of the trade and bills payables are expected to be settled within one year or are repayable on demand.

As of the end of the reporting period, the ageing analysis of the Group's trade and bills payables, based on the invoice date, is as follows:

	2019	2018
	RMB'000	*RMB'000*
Within 1 month	**615**	35,874
1 to 3 months	**426**	305
3 to 6 months	**433**	–
	1,474	36,179

10 CAPITAL AND DIVIDENDS

(a) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year

The directors of the Company do not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: Nil).

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2019	2018
	RMB'000	*RMB'000*
Final dividends in respect of the previous financial year, approved and paid during the year	**–**	–

(b) Share capital

	2019		2018	
	No. of shares '000	***HK$'000***	*No. of shares '000*	*HK$'000*
Authorised:				
Ordinary shares of HK$0.01 each	**2,000,000**	**20,000**	2,000,000	20,000

	2019		2018	
	No. of shares '000	***RMB'000***	*No. of shares '000*	*RMB'000*
Ordinary shares, issued and fully paid:				
At 1 January/date of incorporation	**216,000**	**1,892**	–	–
Issuance of shares	**–**	**–**	10	–
Capitalisation issue	**–**	**–**	161,990	1,419
Issuance of shares by initial public offering	**–**	**–**	54,000	473
	216,000	**1,892**	216,000	1,892

11 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(a) Acquisition of a subsidiary

On 27 February 2020, the Group entered into a sale and purchase agreement with a third party to acquire 50% of the equity interests in Henan Blue Sky Sino Gas Technology Company Limited ("**Henan Blue Sky**") with a cash consideration of RMB19,000,000. Upon the completion of the acquisition on 28 February 2020, Henan Blue Sky became a wholly-owned subsidiary of the Group.

(b) Impacts from Coronavirus outbreak

The Coronavirus disease 2019 outbreak ("**COVID-19**") since early 2020 has brought about additional uncertainties in the Group's operating environment and may impact the Group's operations and financial position.

The Group has been closely monitoring the impact from the COVID-19 on the Group's businesses and has commenced to put in place various contingency measures. The directors of the Company confirm that these contingency measures include but not limited to reassessing the adequacy and suitability of the Group's existing suppliers' inventory of LPG, CNG and LNG, increasing monitoring of the business environment of the Group's customers, and improving the Group's cash position by expediting debtor collections. The Group will keep the contingency measures under review as the COVID-19 situation evolves.

As far as the Group's businesses are concerned, the COVID-19 may cause the decrease in the demand for LPG, CNG and LNG, but the directors of the Company consider that such impact could be temporary, and the Group's businesses will resume soon upon the cessation of the COVID-19. In addition, the COVID-19 may impact the cash flow forecasts, and also impact the repayment abilities of the Group's debtors, which in turn may result in additional impairment losses on property, plant and equipment attributable to gas refuelling stations and trade receivables in future periods. These possible impacts have not been reflected in these financial statements, and the actual impacts may differ from estimates adopted in these financial statements as the COVID-19 situation continues to evolve and when further information may become available.

12 COMPARATIVE FIGURES

The Group has initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in Note 2(c).

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

In 2019, the overall economic performance of the PRC was stable in the face of a complex situation of rising domestic and international risks and challenges. The PRC's GDP in 2019 was nearly a hundred trillion, ranking the second in the world, and its GDP increased by 6% year-on-year, in line with expectations. Compared to 2018, the global economy has a greater downward pressure in 2019, and the PRC was still an economy with a relatively high growth rate among the major global economies. It was not easy to maintain a medium-high growth rate.

In terms of natural gas, the global natural gas industry has developed steadily in 2019, and the PRC's natural gas industry has continued to grow. The consumption of the PRC's natural gas in 2019 reached 304 billion cubic meters, a year-on-year increase of 9.6%. According to the "China Energy and Chemical Industry Development Report in 2020" (2020中國能源化工產業發展報告) issued by the Economics and Technology Research Institute of China Petrochemical (中國石化經濟技術研究院), the demand for the PRC's natural gas will reach 329 billion cubic meters in 2020, with a year-on-year growth of approximately 8%, indicating a steady growth of the industry. National Petroleum and Natural Gas Pipe Network Group Co., Ltd (國家石油天然氣管網集團有限公司) will play an important role in the restructuring of the market structure and the reform of natural gas marketization in 2020, which will have a profound impact on the domestic pricing mechanism moving towards marketization and promoting the sustainable and healthy development of natural gas industry. The production, supply, storage and marketing system of natural gas will be further improved, and the market regulation capacity will be continuously enhanced. Meanwhile, the governments at all levels in the PRC have continuously issued relevant policies and regulations on air pollution control, which have continued to promote the development of air pollution control industry. As the main clean energy for green and low-carbon development, natural gas will still maintain a good growth.

In terms of the LPG, the "China Energy and Chemical Industry Development Report in 2019" (2019中國能源化工產業發展報告) predicted that the increase of the processing capacity of the PRC's refineries in 2019 would promote the increase of the PRC's LPG production. The PRC's LPG production in 2019 was approximately 39.5 million tonnes, representing an increase of 3.8% year-on-year. During the year, due to the accelerated construction of LPG deep processing capacity in the PRC, certain changes have taken place in the LPG consumption groups, among which the proportion of chemical raw materials, industrial and commercial combustion has increased, while the consumption of LPG for vehicles has declined due to the adjustment in traffic energy policy structure, especially in Guangdong Province. It is expected that the LPG demand in the PRC would increase by 4.2% year-on-year in 2019.

BUSINESS REVIEW

The Group is an integrated LPG and natural gas supplier in the PRC with a complete industry chain that engages in the sales of LPG and natural gas and the operation of vehicular refuelling stations (車用加氣站) and domestic stations (民用站) in Guangdong Province and Henan Province with over 14 years of proven track records in the industry.

For the year ended 31 December 2019, the Group has recorded revenues of approximately RMB1,278.9 million, representing an increase of approximately RMB58.9 million as compared to approximately RMB1,220.0 million in 2018. The increase was mainly attributable to the increase of sales volume from the LPG wholesale, CNG and LNG businesses during the year.

(1) LPG Business

LPG could be used as vehicle fuel but is also commonly used as fuel sources for cooking or heating appliances. As at 31 December 2019, the Group had 6 LPG vehicular refuelling stations and 2 LPG domestic stations in Guangdong Province. There was also an LPG terminal with storage facilities located in Guangdong Province.

The Group possesses a comprehensive business model in our LPG business. Our upstream procurement of LPG consists of large scale LPG domestic gas suppliers with their own terminal and storage which mainly import LPG from overseas, and domestic petrochemical refineries. With the delivery of our intermediary logistics (including vehicles or gas carrier ships designated for LPG use), the Group is able to provide LPG to our customers including LPG vehicular refuelling stations, LPG domestic stations and wholesale customers, and our customers consist of retail and wholesale customers. The Group also owns the LPG terminals through Jiangmen Xinjiang Gas Company Limited (江門市新江煤氣有限公司) ("**Jiangmen Xinjiang Gas**"), a jointly controlled entity.

For the year ended 31 December 2019, the Group has recorded the LPG sales revenue of approximately RMB962.2million, representing a decrease of approximately RMB14.2 million as compared to approximately RMB976.4 million in 2018. The decrease in revenue was mainly due to the decline in the LPG vehicle sales volume and the sales prices of LPG market.

(2) CNG Business

CNG is widely used in short distance vehicles such as local buses, taxis and private vehicles. As at 31 December 2019, we had 12 CNG vehicular refuelling stations, 1 liquefied-to-compressed natural gas (the "**L-CNG**") vehicular refuelling station and 3 CNG mother stations in Henan Province.

The CNG business model is well supported by our upstream suppliers primarily consist of PetroChina Company Limited ("**PetroChina**"), by utilising the West to East Gas Transmission Tunnel (西氣東輸管道) to be supplied to our CNG mother stations, with our own logistics fleet being the major logistic system to the location of our CNG vehicular refuelling stations and the locations of our customers while some of our wholesale customers may also arrange for their own logistics arrangement. Our downstream portfolio consists of CNG vehicular refuelling stations and our customers consist of a variety of retail and wholesale customers.

For the year ended 31 December 2019, the Group has recorded the CNG sales revenue of approximately RMB276.3 million, representing an increase of approximately RMB63.5 million as compared to approximately RMB212.8 million in 2018. The increase in revenue was mainly due to the increase in sales volume of CNG during the year.

(3) LNG Business

The LNG refuelling market in China is still at an emerging stage due to its relatively high cost to process, liquefy and store compared with CNG. With the support of the PRC government policies, the development and promotion of LNG in the South China and coastal areas has developed rapidly, especially the rising demand for LNG in the industrial and power generation industries, which has laid a solid foundation for the growth of LNG. As at 31 December 2019, we had 1 LNG vehicular refuelling station in Guangdong Province and 1 L-CNG vehicular refuelling station in Henan Province.

For our LNG business model, the Group possesses a strong upstream procurement suppliers formed by large-scale LNG terminal companies. As vehicles containing special cryogenic storage facilities and tanks for LNG use are required for transportation of LNG, the Group uses third party logistics service providers to transport our LNG to our LNG vehicular refuelling stations and to our wholesale customers. Meanwhile, the downstream portfolio consists of the LNG vehicular refuelling stations and our customers consist of retail and wholesale customers.

For the year ended 31 December 2019, the Group has recorded the LNG sales revenue of approximately RMB33.3 million, representing an increase of approximately RMB7.6 million as compared to approximately RMB25.7 million in 2018. The increase in revenue was mainly due to the increase in sales volume of LNG during the year.

As at 31 December 2019, the number of our refuelling stations in operation are set out below:

	As at 31 December 2019	As at 31 December 2018
LPG station[(1)]	**8**	9
CNG station	**12**	12
LNG station	**1**	1
L-CNG station[(2)]	**1**	–
Subtotal	**22**	22
CNG mother station[(3)]	**3**	2
Total	**25**	24

Meanwhile, as at 31 December 2019, the breakdown of our refuelling stations in operation by cities and provinces are set out below:

City, Province	LPG	LNG	CNG	L-CNG	Total number of stations
Guangzhou, Guangdong Province	6	1	0	0	7
Jiangmen, Guangdong Province	2(4)	0	0	0	2
Total number of refuelling stations in Guangdong Provinces	8	1	0	0	9
Xinyang, Henan Province	0	0	1(5)	0	1(5)
Zhengzhou, Henan Province	0	0	8	0	8
Zhumadian, Henan Province	0	0	3(6)	0	3(6)
Xinzheng, Henan Province(7)	0	0	3(8)	1	4(8)
Total number of refuelling stations in Henan Province	0	0	15	1	16
Total	8	1	15	1	25

Notes:

1. The Group disposed of a LPG domestic station in Ganzhou City, Jiangxi Province in May 2019.

2. The Group built and operated a L-CNG refuelling station in Xuedian Town, Xinzheng City in the second half of 2019.

3. The Group built and operated a CNG mother station in Xuedian Town, Xinzheng City in the second half of 2019.

4. The LPG domestic stations are owned by our jointly controlled entity Jiangmen Xinjiang Gas, which is one of our jointly controlled entities and is not our subsidiary.

5. As at 31 December 2019, the CNG vehicular refuelling station is owned by our jointly controlled entity Henan Blue Sky which is one of our jointly controlled entities and was not our subsidiary. As at the date of this announcement, Henan Blue Sky is an indirect wholly owned subsidiary of our Company. For details, please refer to announcement of the Company dated 27 February 2020.

6. It comprises a CNG mother station and two CNG vehicular refuelling stations in Zhumadian City, Henan Province, which are owned by Henan Blue Sky.

7. Xinzheng City is one of the county-level cities under the jurisdiction of Zhengzhou City, Henan Province.

8. It also comprises two CNG mother stations in Xinzheng City, Henan Province.

The revenue by product mix for the years ended 31 December 2019 and 2018 are summarized as below:

	For the year ended 31 December 2019			For the year ended 31 December 2018		
	Sales Volume *(Note)*	**Revenue** *(RMB'000)*	**Percentage of revenue** *(%)*	Sales Volume *(Note)*	Revenue *(RMB'000)*	Percentage of revenue *(%)*
Retail						
LPG	**20,628**	**115,632**	**9.0%**	45,175	276,880	22.7%
CNG	**68.4**	**239,986**	**18.8%**	62.5	202,489	16.7%
LNG	**5,242**	**17,764**	**1.4%**	656	3,286	0.3%
Sub-total		**373,382**	**29.2%**		482,655	39.7%
Wholesale						
LPG	**240,795**	**846,617**	**66.2%**	178,301	699,515	57.3%
CNG	**13.7**	**36,287**	**2.8%**	3.9	10,295	0.8%
LNG	**4,289**	**15,552**	**1.2%**	5,327	22,405	1.8%
Others		**7,060**	**0.6%**		5,141	0.4%
Sub-total		**905,516**	**70.8%**		737,356	60.3%
Total		**1,278,898**	**100%**		1,220,011	100%

Note: Sales volume for LPG and LNG are measured in tonnes and sales volume for CNG is measured in million cubic metres.

OUTLOOK AND PROSPECTS

Deepen and Upgrade the Upstream and Downstream Industrial Chains

As the country develops the Guangdong-Hong Kong-Macao Greater Bay Area, the Group will focus on the energy strategy centered on the Guangdong Pearl River Delta, and deepen the Group's LPG terminal storage, logistics, and terminal stations, and strengthen the integration of resources in the industry, and find an innovative energy development path.

In terms of LPG, although the vehicle market of LPG has shrunk due to the impact of national policies, we will continue to identify potential domestic stations to further strengthen our market share in LPG domestic stations and strengthen the expansion of our wholesale business, in order to capture the increase of LPG consumption of residential and commercial users in Guangdong Province.

In terms of natural gas, we will continue to vertically integrate and develop the natural gas market. In addition to relying on and expanding our existing complete industrial chain, we also try to explore the civilian aspects to consolidate our market position and enhance our competitiveness. In addition, the State Council of the PRC (中國國務院) issued the "Program of Building National Strength in Transportation" (交通強國建設綱要) in September 2019, which called for green development to be economical and intensive, low carbon and environmental protection. It also proposed to "optimize the energy mix for transportation, promote the use of new and clean energy resources, and promote energy saving and emission reduction in road freight transport". We are confident that the LNG market will continue to have enormous potential and we are ready to take this opportunity.

Comprehensive Energy Development

China's as well as the world's energy industry is developing in the direction of cleanliness and the energy transformation process featuring high efficiency, cleanliness, diversification and intelligence will be accelerated. The industry in which the Group operates have to closely follow national policy guidelines and keep pace with the times and the development of integrated energy is the only way for the Group to transform. Based on its solid industrial chain, the Group further explores new business models for energy diversification and develops energy and new energy fields closely related to natural gas. We will strive to promote the transformation and upgrading of our industry, form a new economic growth point for the Group, provide diversified comprehensive energy supply and value-added services our customers, so as to bring revenue growth to the Company and bring ideal returns to our shareholders.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2019, the Group has recorded revenues of approximately RMB1,278.9 million, representing an increase of approximately RMB58.9 million as compared to approximately RMB1,220.0 million in 2018. The increase was mainly attributable to the increase of sales volume from the LPG wholesale, CNG and LNG businesses during the year.

Revenue from contracts with customers within the scope of IFRS 15	**2019**	2018
	RMB'000	*RMB'000*
LPG	**962,249**	976,395
CNG	**276,273**	212,784
LNG	**33,316**	25,691
Others	**7,060**	5,141
	1,278,898	1,220,011

Cost of Sales and Gross Profit

The Group's cost of sales primarily consisted of all costs of procuring LPG, CNG and LNG from the Group's suppliers and logistic services providers for transporting gases. The Group's cost of sales increased by approximately RMB96.5 million from approximately RMB1,038.9 million in 2018 to approximately RMB1,135.4 million in 2019, which was mainly due to the increase of sales volume from the LPG wholesale, CNG and LNG businesses during the year.

For the year ended 31 December 2019, the gross profit of the Group was approximately RMB143.5 million, representing a decrease of approximately RMB37.7 million as compared to approximately RMB181.2 million in 2018. The decrease in gross margin was due to the impact of the replacement of some LPG vehicles in the operating area of the Group with LNG and electric vehicles and the intensification of market competition, resulting in the decrease in the sales volume of LPG for vehicles which has relatively higher gross profit.

Staff Costs

For the year ended 31 December 2019, the Group's staff costs were approximately RMB44.7 million, representing an increase of approximately RMB1.2 million as compared to approximately RMB43.5 million in 2018. This was mainly due to the Group did not issue employee bonus in 2018.

Depreciation and Amortisation

For the year ended 31 December 2019, the depreciation and amortisation of the Group was approximately RMB21.5 million, representing an increase of approximately RMB8.2 million as compared to the Group's approximately RMB13.3 million in 2018. This increase was mainly due to depreciation of right-of-use assets from adoption of the new lease standard, IFRS16, during the year. Please refer to Note 2(c) to the financial statements.

Operating Lease Charges

For the year ended 31 December 2019, the operating lease cost of the Group was approximately RMB4.9 million, representing a decrease of approximately RMB12.2 million as compared to the Group's approximately RMB17.1 million in 2018. This was mainly due to the impact of the adoption of the new lease standard, IFRS16, during the year. Please refer to Note 2(c) to the financial statements.

Other Operating Expenses

For the year ended 31 December 2019, the Group's other operating expenses were approximately RMB42.9 million, representing a decrease of approximately RMB1.5 million as compared to the Group's other operating expenses of approximately RMB44.4 million in 2018. The decrease was mainly due to other operating expenses in 2018 having included the expenses of the listing of the shares of the Company in the Stock Exchange (the "**Listing**").

Finance Costs

For the year ended 31 December 2019, the Group's finance costs were approximately RMB13.2 million, representing an increase of approximately RMB4.3 million as compared to the Group's approximately RMB8.9 million in 2018. This was mainly due to the increase in average bank borrowings balances and the increase in interest of lease liabilities arising from the adoption of IFRS 16 during 2019.

Profit Before Taxation

For the year ended 31 December 2019, the Group's profit before taxation was approximately RMB33.3 million, representing a decrease of approximately RMB28.2 million as compared to the Group's profit before taxation of approximately RMB61.5 million in 2018.

Income Tax

For the year ended 31 December 2019, the Group's income tax expense was approximately RMB12.8 million, representing a decrease of RMB7.7 million as compared to the Group's income tax of approximately RMB20.5 million in 2018.

Profit for the Year

As a result of the foregoing, for the year ended 31 December 2019, the Group achieved a profit for the year of approximately RMB20.5 million, representing a decrease of approximately RMB20.5 million as compared to the Group's net profit of approximately RMB41.0 million in 2018.

FINANCIAL POSITION

Liquidity, Financial Resources and Capital Structure

For the year ended 31 December 2019, the financial position of the Group remained stable. The total value of assets was approximately RMB597.4 million, representing a decrease of RMB124.5 million as compared to the total value of assets of approximately RMB721.9 million in 2018. The Group's cash was mainly held for working capital and gas facilities and equipment needs.

As at 31 December 2019, the Group had approximately RMB166.3 million in cash and bank balances.

Capital Expenditure

The capital expenditure of the Group mainly related to the payments for purchase of property, plant and equipment (including right-of-use assets) amounted to approximately RMB21.1 million for the year ended 31 December 2019.

Borrowings

The Group's borrowings as at 31 December 2019 and 2018 are summarised below:

	2019	2018
	RMB'000	*RMB'000*
Unsecured and unguaranteed	**100,000**	146,000
Secured by bank deposits of the Group	**36,370**	129,233
	136,370	275,233

Gearing Ratio

The gearing ratio (calculated on the basis of the Group's total liabilities over total assets) was 37.7% as at 31 December 2019 (31 December 2018: 50.4%). The decrease in gearing ratio was mainly attributable to the decrease in bank borrowings of the Group.

Final Dividend

The Board has resolved not to declare the payment of a final dividend for the year ended 31 December 2019 (2018: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2019, the Group had a total of 602 employees (2018: 679, including the staff in our joint ventures, Henan Blue Sky as at 31 December 2018 and 2019 and Jiangmen Xinjiang Gas). The Group's remuneration policies are in line with the prevailing market practice and are determined on the basis of performance, qualification and experience of individual employees. The Group recognizes the importance of a good relationship with its employees. The remuneration payable to its employees includes salaries and allowances.

USE OF PROCEEDS FROM THE LISTING

After deduction of all related listing expenses and commissions, the net proceeds from the Listing amounted to approximately HK$120.3 million. Details of the proposed use of such net proceeds are as disclosed in "Future Plans and Use of Proceeds" of the prospectus of the Company for the Listing and subsequently revised in the announcement issued by the Company dated 27 February 2020.

The below table sets out the intended use of the net proceeds and the actual usage up to 31 December 2019:

Intended use of proceeds	**Original Allocation**	**Revised Allocation**[3]	**Utilisation as at 31 December 2019**	**Remaining balance as at 31 December 2019**
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*
To acquire operating rights of an LPG domestic station[1]	20.5	20.5	0	20.5
To strengthen our LPG logistics and storage capacity by constructing storage facilities[2]	21.7	21.7	0	21.7
To complete construction, purchase land, equipment and machineries and installation for the new CNG mother station[3]	27.7	14.5	10.0	17.7
To construct new refuelling stations, purchase and install their requisite equipment and machineries and perform maintenance of our existing refuelling stations[3]	24.1	16.1	14.1	10.0
To increase our logistics capacity by purchasing additional vehicle fleets	14.4	14.4	0	14.4
To finance the acquisition[3]	–	21.1	–	–
General working capital	12.0	12.0	12.0	0
Total	120.3	120.3	36.1	84.2

Notes:

1. The Group intends to acquire the operating rights of a LPG domestic station in 2019, but has yet to identify any suitable acquisition target, therefore the proceeds have not been utilized. As of the date of this announcement, the Group has been actively seeking suitable acquisition target.

2. Our expansion plan for 2019 was funded by our own funds and was subject to the changes in project construction progress, therefore the proceeds have not been utilized.

3. The Directors are of the view that, based on the latest estimation, the cost of constructing CNG mother station and refuelling stations were lower than expected and therefore idle funds were generated, while the natural gas business in Henan Province still has certain degree of development potential, and the acquisition of interests in Henan Blue Sky served similar purpose of constructing new stations and thus part of the proceeds were then reallocated to the acquisition. For details, please refer to announcement of the Company dated 27 February 2020.

As of 31 December 2019, the Group expected that, except for those described in the notes above, there will be no change in the planned use and timing of the use of proceeds from the Listing, and the unutilized net proceeds will be deposited into interest-bearing bank accounts.

FOREIGN EXCHANGE EXPOSURE

As all of our operations are located in the PRC, all of the revenue from customers of the Group are derived from activities in the PRC.

As at 31 December 2019, the listing proceeds were denominated in HKD. Therefore, the foreign exchange risk assumed by us primarily arises from movements in the exchange rates of HKD and RMB. During the year of 2019, the Group did not experience any significant difficulties in or impacts on its operations or liquidity due to fluctuations in currency exchange rates. However, future exchange rates of RMB may vary significantly from the current and historical exchange rates as a result of changes in China's political and economic conditions. The management will continue to monitor the foreign risk exchange exposure and take prudent measures to reduce foreign exchange risks.

TREASURY POLICIES

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the year ended 31 December 2019. Our finance department is responsible for treasury management functions, which include, amongst others, researching and sourcing investment options for further consideration by the general manager, financial controller and the Board, and monitoring the investments on a continuous basis.

SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 31 December 2019, the Group held unlisted equity securities amounting RMB3.4 million, as a supplemental means to improve utilization of our cash on hand. Apart from the acquisition of Henan Blue Sky announced on 27 February 2020, the Group had no definite future plans for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES OR JOINT VENTURES

For the year ended 31 December 2019, the Group had no material acquisitions and disposals of subsidiaries or joint ventures.

CONTINGENT LIABILITIES

During the year ended 31 December 2019, a subsidiary of the Group has been claimed, as one of the co-defendants, to compensate for damages arising from debt disputes between the plaintiff and other third parties. The maximum exposure of the Group under the claims may amount to approximately RMB64,426,000. Based on legal advices, the Directors do not consider it probable that the subsidiary will be found liable to these claims and accordingly, no provision has been made at 31 December 2019.

A subsidiary of the Group has issued a guarantee in respect of the banking facilities of JM Xinjiang Gas, a joint venture of the Group, amounting to RMB30,000,000 and the facilities were utilised to the extent of RMB18,720,000 at 31 December 2019 (2018: RMB22,880,000). The guarantee will expire on 31 December 2022 and the loans relating to drawn down facilities are repayable by 2 March 2021. The maximum exposure of the Group under the guarantee issued is the outstanding amount of the bank loans of RMB18,720,000 at 31 December 2019 (2018: RMB22,880,000). The Directors do not consider it probable that a claim will be made against the Group under the guarantee, and accordingly, no provision has been made at 31 December 2019.

PLEDGE OF ASSETS

Included in pledged and restricted bank deposits, RMB7,500,000 was pledged as securities for the Group's bank loans at 31 December 2019. The pledged and restricted bank deposits of RMB7,210,000 were pledged as securities for the Group's foreign exchange forward contracts outstanding at 31 December 2019.

Included in pledged and restricted bank deposits, RMB33,800,000 was pledged as securities for the Group's bank loans at 31 December 2018. The pledged and restricted bank deposits of RMB16,843,000 were pledged as securities for bank acceptance notes issued by the Group and for bank guarantee letters issued to suppliers for construction of the Group's property, plant and equipment at 31 December 2018.

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption available to the shareholders by reason of their holding of the Company's shares.

PRINCIPAL RISKS AND RISK CONTROL MECHANISM

The Group has implemented various policies and procedures to ensure effective risk management at each aspect of our operations, including administration of daily operations, financial reporting and recording, treasury management, compliance with applicable laws and regulations on environmental protection, and operation safety. The Board oversees and manages the overall risks associated with our operations. We have established the Audit Committee to review and supervise the financial reporting process and internal control system of the Group.

Principal Risks

For the year ended 31 December 2019, the following principal risks of the Group were identified and classified as follows:

- The business of the Group is subject to the development of the PRC government policies and any future unfavourable policies may materially and adversely affect our business development and performance. We cannot predict future changes in laws and regulations or government policies, which may vary and are beyond the control of the Group;

- The Group is dependent on our major suppliers and any instability in or shortages of supply of LPG and LNG from our major suppliers could significantly and adversely affect our business;

- PetroChina is our ultimate major supplier for CNG in Henan Province and any instability or shortages of supply of natural gas to us from PetroChina could significantly and adversely affect our business;

- The gross profit margin and growth in profit may fluctuate in the future as our purchase price and selling price of our gas products (including LPG, CNG and LNG) are sensitive to factors beyond our control; and

- Competition from alternative vehicle fuels could be intensified, particularly with technological advancement of and increasing governmental support for electric vehicles, which may reduce the demand for our gas refuelling business.

The management team of the Company is committed to ensuring that risk management forms part of the daily business operation processes in order to align risk management with corporate goals in an effective manner while the effectiveness of our risk management framework will be evaluated at least once a year, and periodic management meetings are held to update the progress of risk monitoring efforts by the Audit Committee and the Board.

ANNUAL GENERAL MEETING

The annual general meeting will be held on Monday, 8 June 2020 ("**2020 AGM**"). Notice of the 2020 AGM and all other relevant documents will be published and despatched to shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders who are eligible to attend and vote at the 2020 AGM, the register of members of the Company will be closed from Tuesday, 2 June 2020 to Monday, 8 June 2020, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2020 AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 1 June 2020 for registration.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2019.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Directors recognize the importance of incorporating elements of corporate governance in the management structures and internal control of our Group in order to achieve accountability and are committed to maintaining good corporate governance standards. The Company has applied the principles stated in the Corporate Governance Code ("**CG Code**") set out in Appendix 14 to the Listing Rules.

The Board believes that good corporate governance standards are essential in maintaining a balanced composition of executive Directors and independent non-executive Directors (the "**INEDs**") for the Board to exercise independent judgment effectively and providing a framework for the Company to safeguard the interests of shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability. The Company has in place a corporate governance framework and has established a set of policies and procedures based on the CG Code. Such policies and procedures provide the infrastructure for enhancing the Board's ability to implement governance and exercise proper oversight on business conduct and affairs of the Company.

The board is of the view that throughout the year ended 31 December 2019, the Company has complied with all the applicable code provisions as set out in the CG Code, except for code provisions A.1.8 and A.2.1 as explained below.

Code provision A.1.8 stipulates that the Company should arrange appropriate insurance coverage in respect of legal action against its directors. Since the Listing, the Company has taken steps in negotiating the appropriate insurance coverage on directors' and officers' liabilities in respect of any legal actions taken against Directors and senior management arising out of corporate activities. In March 2019, the Company has taken out such an insurance policy.

Code Provision A.2.1 stipulates that the roles of Chairman and chief executive should be separate and should not be performed by the same individual. Mr. Ji Guang, one of the founders of the Company, is the Chairman and Chief Executive Officer of the Company. Mr. Ji is primarily responsible for planning our business and marketing strategies, supervising the overall operations of our Group, and overseeing the daily management of our businesses. As Mr. Ji has been leading the Group as the Chief Executive Officer and actively involved in the core business of the Group since inception, and due to his familiarity with the operations of the Group, the Board believes that it is in the best interest of the Group to continue to have Mr. Ji acting as the Chief Executive Officer and Chairman for effective management and business planning of the Group. Further, the Company has put in place an appropriate check-and-balance mechanism through the Board which comprises executive Directors and three INEDs. Major decisions will be made by the Board after discussions and deliberations among Directors, including INEDs who will bring independent judgment during the decision-making process. Therefore, the Board considers that the deviation from code provision A.2.1 of the CG Code is appropriate in such circumstances.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has devised its own code of conduct regarding Directors' dealings in the Company's securities (the "**Securities Dealing Code**") on terms no less exacting than the Model Code as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Securities Dealing Code throughout the year ended 31 December 2019.

The Company has also adopted the Securities Dealing Code as the written guidelines (the "**Employees Written Guidelines**") for securities transactions by employees who are likely to be in possession of unpublished inside information of the Company. No incident of non-compliance of the Employees Written Guidelines by the relevant employees was noted by the Company.

REVIEW OF CONSOLIDATED ANNUAL RESULTS BY THE AUDIT COMMITTEE

Pursuant to the requirements of the CG Code and the Listing Rules, the Company has established an audit committee (the "**Audit Committee**") comprising of three INEDs, namely Dr. Zheng Jian Peng (Chairman), Mr. Wang Zhonghua and Mr. Sheng Yuhong. The Audit Committee has reviewed with the management the accounting principles and practice adopted by the Group and the consolidated financial statements of the Group for the year ended 31 December 2019. There were no disagreements from the Audit Committee or the external auditors on the accounting policies adopted by the Company.

SCOPE OF WORK OF KPMG

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's audited consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this announcement, the Company has maintained the prescribed percentage of public float under the Listing Rules.

SIGNIFICANT EVENT AFTER REPORTING PERIOD

The Acquisition of the Remaining 50% Equity Interests in Henan Blue Sky

On 27 February 2020, Sino Gas Investment Group Limited ("**HK Investment**"), an indirect wholly owned subsidiary of the Company, entered into the Sale and Purchase Agreement with Henan Blue Sky Gas Corporation ("**Blue Sky Gas**") and Henan Blue Sky, pursuant to which, HK Investment has agreed to purchase, and Blue Sky Gas has agreed to sell, 50% of the equity interests of Henan Blue Sky, at a total cash consideration of RMB19.0 million. For details, please refer to announcement of the Company dated 27 February 2020.

The Impact of Novel Coronavirus Epidemic on Business Operations

The novel coronavirus epidemic has spread in the PRC since January 2020, and it has brought about additional uncertainties in the Group's operating environment and may impact the Group's operations and financial position. For details, please refer to announcement of the Company dated 10 March 2020.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.sinogasholdings.com). The 2019 annual report containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and made available on the above websites in due course.

By order of the Board
Sino Gas Holdings Group Limited
Mr. Ji Guang
Chairman

Hong Kong, 30 March 2020

As at the date of this announcement, the directors of the Company are:

Executive Directors:
Mr. Ji Guang *(Chairman and Chief Executive Officer)*
Ms. Ji Ling *(Vice-Chairman)*
Ms. Cui Meijian
Mr. Zhou Feng

Independent Non-executive Directors:
Mr. Sheng Yuhong
Mr. Wang Zhonghua
Dr. Zheng Jian Peng