



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



INTERIM
REPORT **2020**

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CORPORATE INFORMATION

BOARD OF DIRECTORS

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

AUDIT COMMITTEE

Dr. Zheng Jian Peng (*Chairman*)
Mr. Wang Zhonghua
Mr. Sheng Yuhong

REMUNERATION COMMITTEE

Mr. Wang Zhonghua (*Chairman*)
Dr. Zheng Jian Peng
Mr. Sheng Yuhong

NOMINATION COMMITTEE

Mr. Sheng Yuhong (*Chairman*)
Dr. Zheng Jian Peng
Mr. Wang Zhonghua

COMPANY SECRETARY

Ms. Wong Pui Yin Peony

AUTHORISED REPRESENTATIVES

Ms. Ji Ling
Ms. Wong Pui Yin Peony

REGISTERED OFFICE

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Grand Cayman KY1-1111
Cayman Islands

HEADQUARTERS IN PEOPLE'S REPUBLIC OF CHINA

Room 3103, Block A1
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13 Haian Road, Tianhe District
Guangzhou, the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 708, 7/F, Tower 2
Silvercord, 30 Canton Road
Kowloon, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
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AUDITORS

KPMG
Public Interest Entity Auditor
registered in accordance with the Financial
Reporting Council Ordinance
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Central, Hong Kong

HONG KONG LEGAL ADVISER

Wan & Tang
23/F, Somptueux Central
52 Wellington Street
Central, Hong Kong

PRINCIPAL BANKERS

Industrial and Commercial Bank of China Co., Ltd.
Guangzhou Liuhua Branch
Bank of China Zhuhai Branch
China Construction Bank Co., Ltd.
Zhuhai Xiangzhou Branch

COMPANY'S WEBSITE ADDRESS

www.sinogasholdings.com

STOCK CODE

1759

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

In the first half of 2020, the novel coronavirus (COVID-19) epidemic (the “**Epidemic**”) swept the world and the global caused a slowdown in economic growth. The international crude oil price fluctuated greatly, and the energy market fluctuated sharply. The Gross Domestic Product (the “**GDP**”) of the People’s Republic of China (the “**PRC**”) fell by 1.6% for the first half of 2020 as compared with the same period of the previous year, whereas the GDP in the first quarter decreased by 6.8% year-on-year and the second quarter increased by 3.2% year-on-year.

Affected by the Epidemic and fluctuations in oil price, the supply of liquefied petroleum gas (“**LPG**”) contracted in the first half of the year, while generally remained stable overall. The demand for LPG was initially lower but increased subsequently and the overall demand had recovered as the Epidemic and oil price fluctuations gradually eased. Between January and June 2020, the apparent consumption of LPG in the PRC was 29.9476 million tons, representing an increase of 3.71% as compared with the same period of the previous year.

The overall supply of natural gas in the PRC was abundant in the first half of the year, and the overall apparent consumption of natural gas was stable without any significant increase. Save for the negative growth in February, the apparent consumption of natural gas maintained year-on-year growth during the first half of 2020, which was mainly due to the Epidemic. Between January and June 2020, the apparent consumption of natural gas in the PRC was 160.701 billion cubic meters, representing an increase of 5.74% as compared with the same period of the previous year.

As the outbreak of Epidemic and the implementation of various traffic control measures had brought severe challenges to the Group, the Group’s performance for the six months ended 30 June 2020 (the “**Period**”) had declined, especially for the vehicle gas business. During the Epidemic period, the Group actively implemented various Epidemic prevention and control measures to ensure the health and safety of employees and customers. At the same time, the Group took multiple measures to enhance sales, with the wholesale sales volume and revenue of natural gas and LPG showing an upward trend. With the gradual easing of the Epidemic and oil price fluctuations, the operation of the Group has been gradually improving.

MANAGEMENT DISCUSSION AND ANALYSIS

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 six months ended 30 June 2020, the Group recorded revenue of approximately RMB631.3 million, representing a decrease of approximately RMB41.8 million from the revenue of approximately RMB673.1 million for the six months ended 30 June 2019. The decrease in revenue was mainly attributable to the decrease in sales volume of compressed natural gas (the “**CNG**”) and the decrease in the unit selling price of LPG during the Period.

(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 30 June 2020, the Group had 4 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 six months ended 30 June 2020, the Group had recorded the LPG sales revenue of approximately RMB523.7 million, representing an increase of approximately RMB22.7 million from the LPG sales revenue of approximately RMB501.0 million in the corresponding period in 2019. The increase in revenue was mainly attributable to the increase in the sales volume of the LPG wholesale business.

(2) CNG Business

CNG is widely used in short distance vehicles such as local buses, taxis and private vehicles. As at 30 June 2020, 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 consisting of PetroChina Company Limited (“**PetroChina**”), which utilises the West to East Gas Transmission Tunnel (西氣東輸管道) to supply to our CNG mother stations, with our own logistics fleet being the major logistic system for distribution 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 six months ended 30 June 2020, the Group had recorded the CNG sales revenue of approximately RMB74.2 million, representing a decrease of approximately RMB75.8 million from the CNG sales revenue of approximately RMB150.0 million in the corresponding period in 2019. The decrease in revenue was mainly attributable to the decrease in sales of CNG for vehicles during the Period, which was affected by the Epidemic and the implementation of traffic control measures.

MANAGEMENT DISCUSSION AND ANALYSIS

(3) LNG Business

The liquefied natural gas (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 30 June 2020, we had 2 LNG vehicular refuelling stations 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 six months ended 30 June 2020, the Group had recorded the LNG sales revenue of approximately RMB27.8 million, representing an increase of approximately RMB16.9 million from the LNG sales revenue of approximately RMB10.9 million in the corresponding period in 2019. The increase in revenue was mainly attributable to the increase in the number of customers of the LNG business, which led to an increase in LNG sales during the Period.

As at 30 June 2020, we operated a total of 24 stations, of which 22 are our self-owned stations and 2 are jointly-owned stations.

As at 30 June 2020, the number of our refuelling stations in operation are set out below:

| | As at 30 June 2020 | As at 31 December 2019 |
|--------------------|--------------------------|------------------------------|
| LPG station | 6 | 8 |
| CNG station | 12 | 12 |
| LNG station | 2 | 1 |
| L-CNG station | 1 | 1 |
| Sub-total | 21 | 22 |
| CNG mother station | 3 | 3 |
| Total | 24 | 25 |

MANAGEMENT DISCUSSION AND ANALYSIS

Meanwhile, as at 30 June 2020, 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 | 4 ⁽¹⁾ | 2 ⁽²⁾ | 0 | 0 | 6 |
| Jiangmen, Guangdong Province | 2 ⁽³⁾ | 0 | 0 | 0 | 2 |
| Total number of refuelling stations in Guangdong Province | 6 | 2 | 0 | 0 | 8 |
| Xinyang, Henan Province | 0 | 0 | 1 | 0 | 1 |
| Zhengzhou, Henan Province | 0 | 0 | 8 | 0 | 8 |
| Zhumadian, Henan Province | 0 | 0 | 3 ⁽⁴⁾ | 0 | 3 ⁽⁴⁾ |
| Xinzheng, Henan Province | 0 | 0 | 3 ⁽⁵⁾ | 1 | 4 ⁽⁵⁾ |
| Total number of refuelling stations in Henan Province | 0 | 0 | 15 | 1 | 16 |
| Total | 6 | 2 | 15 | 1 | 24 |

Notes:

1. The two LPG refueling stations of the Group located in Guangzhou City, Guangdong Province, ceased operations as the landlord took back the land.
2. The Group completed the construction of and commenced operation of a LNG refuelling station in Guangzhou City, Guangdong Province, in the first half of 2020.
3. The two LPG domestic stations are owned by Jiangmen Xinjiang Gas, which is one of our jointly controlled entities and is not our subsidiary.
4. It comprises one CNG mother station in Zhumadian City, Henan Province.
5. It comprises two CNG mother stations in Xinzheng City, Henan Province.

MANAGEMENT DISCUSSION AND ANALYSIS

The revenue by our product mix for the six months ended 30 June 2020 and 2019 are summarized as below:

| | For the six months ended 30 June 2020 | | | For the six months ended 30 June 2019 | | |
|------------------|--|----------------------|---------------------------------|--|----------------------|---------------------------------|
| | Sales volume (Note) | Revenue (RMB'000) | Percentage of revenue (%) | Sales volume (Note) | Revenue (RMB'000) | Percentage of revenue (%) |
| Retail | | | | | | |
| LPG | 3,355 | 20,537 | 3.3% | 9,931 | 59,326 | 8.8% |
| CNG | 23.34 | 63,888 | 10.1% | 42.32 | 139,944 | 20.8% |
| LNG | 1,845 | 7,297 | 1.2% | 510 | 2,542 | 0.4% |
| Sub-total | | 91,722 | 14.6% | | 201,812 | 30% |
| Wholesale | | | | | | |
| LPG | 165,514 | 503,116 | 79.7% | 124,129 | 441,634 | 65.6% |
| CNG | 4.47 | 10,344 | 1.6% | 3.48 | 10,046 | 1.5% |
| LNG | 7,171 | 20,472 | 3.2% | 2,123 | 8,387 | 1.2% |
| Others | | 5,679 | 0.9% | | 11,204 | 1.7% |
| Sub-total | | 539,611 | 85.4% | | 471,271 | 70% |
| Total | | 631,333 | 100% | | 673,083 | 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

In the second half of 2020, with the solid progress of Epidemic prevention and control measures, and economic and social development, China's economy has shown a trend of rapid recovery. However, the overall prospect remains uncertain, and the energy industry continues to face uncertainty. The Group will maintain a positive attitude and make unremitting efforts to implement the Epidemic prevention and control measures and maintain the steady operation of the business.

The civilian and industrial demand remains as the main area of consumption for LPG in 2020. The demand for LPG will increase along with the alleviation of Epidemic, the coming of heating season and the gradual recovery of deep processing operations, and the overall market demand for LPG market in the second half of 2020 is expected to be higher than that in the first half of 2020. The Group will focus on the civilian and industrial gas market of LPG and continue to increase sales efforts in the wholesale business to improve our overall sales.

MANAGEMENT DISCUSSION AND ANALYSIS

Due to the influence of energy consumption structure, energy conservation and emission reduction and other factors, the status of natural gas has been gradually rising, and the consumption level and supply capacity have also been increasing year by year. The year 2020 not only represents the final year of the “13th Five Year Plan” and the commencement of the “14th Five Year Plan”, but also the year of winning the battle of the Three-Year Action Plan to Fight Air Pollution (打贏藍天保衛戰三年行動計劃). With the Epidemic easing, natural gas consumption demand is expected to rise in the second half of 2020. We will leverage on the established and smoothly running supply system covering the whole industrial chain (including CNG mother stations, logistics and daughter stations), and continue to pursue vertical integration opportunities in strengthening our market position, thereby striving to capture a larger market share in transportation energy and industrial energy supply sectors.

Looking forward to the second half of the year, the Group will continue to maintain a prudent attitude and actively respond to the uncertain changes in the economic and industrial environment. The Group will continue to promote business innovation, promote the transformation and upgrading of its own industries, actively seek business opportunities related to the energy industry, seek new economic growth points of the Group and bring rewarding returns to the shareholders.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2020, the Group had recorded revenue of approximately RMB631.3 million, representing a decrease of approximately RMB41.8 million from the revenue of approximately RMB673.1 million in the corresponding period in 2019. The decrease in revenue was mainly attributable to the decrease in sales volume of CNG and the decrease in the unit price of LPG during the Period.

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 decreased by approximately RMB22.8 million from approximately RMB607.4 million in the corresponding period in 2019 to approximately RMB584.6 million in 2020, which was mainly due to the decrease in the purchase volume of natural gas and the decrease in the purchase unit price of LPG.

For the six months ended 30 June 2020, the gross profit of the Group was approximately RMB46.8 million, representing a decrease of approximately RMB18.9 million from the gross profit of approximately RMB65.7 million in the corresponding period in 2019. The decrease in gross profit was mainly due to the impact on the replacement of some LPG vehicles in the operating locations of the Group with LNG and electric vehicles and the Epidemic, which led to the decrease in the sales volume of LPG for vehicles and CNG for vehicles.

Other Income

For the six months ended 30 June 2020, the Group’s other income amounted to approximately RMB10.1 million, representing an increase of approximately RMB1.3 million from other income of approximately RMB8.8 million in the corresponding period in 2019. This was mainly due to the increase in government subsidy income.

Staff Costs

For the six months ended 30 June 2020, the Group’s staff costs were approximately RMB19.2 million, representing a decrease of approximately RMB1.6 million from the staff costs of approximately RMB20.8 million in the corresponding period in 2019. This was mainly due to the decrease in the number of employees.

MANAGEMENT DISCUSSION AND ANALYSIS

Depreciation and Amortisation

For the six months ended 30 June 2020, the depreciation and amortisation of the Group was approximately RMB11.0 million, representing an increase of approximately RMB3.1 million from the depreciation and amortisation of approximately RMB7.9 million in the corresponding period in 2019. This was mainly due to the increase in property, plant and equipment as a result of the acquisition of 50% of the equity interests of Henan Blue Sky Sino Gas Technology Company Limited (“**Henan Blue Sky**”) during the Period.

Operating Lease Charges

For the six months ended 30 June 2020, the operating lease charges of the Group was approximately RMB0.6 million, representing a decrease of approximately RMB2.2 million from the operating lease charges of approximately RMB2.8 million in the corresponding period in 2019. This was mainly due to no rent being paid for two of the Group’s LPG stations that ceased operations.

Other Operating Expenses

For the six months ended 30 June 2020, the Group’s other operating expenses were approximately RMB14.4 million, representing a decrease of approximately RMB7.3 million from other operating expenses of approximately RMB21.7 million in the corresponding period in 2019. This was mainly due to (i) the decrease in the sales of CNG which led to the corresponding reduction in water and electricity charges for CNG refuelling stations; and (ii) the decrease in professional service fees of the Group.

Finance Costs

For the six months ended 30 June 2020, the Group’s finance costs were approximately RMB3.5 million, representing a decrease of approximately RMB4.1 million from the finance costs of approximately RMB7.6 million in the corresponding period in 2019. This was mainly due to the decrease in bank borrowings during the Period.

Profit Before Taxation

For the six months ended 30 June 2020, the Group’s profit before taxation was approximately RMB7.2 million, representing a decrease of approximately RMB10.0 million from the profit before taxation of approximately RMB17.2 million in the corresponding period in 2019, which was due to the decline in gross profit of sales.

Income Tax

For the six months ended 30 June 2020, the Group’s income tax expense was approximately RMB2.9 million, representing a decrease of approximately RMB4.2 million from the income tax expense of approximately RMB7.1 million in the corresponding period in 2019.

Profit for the Period

As a result of the foregoing, for the six months ended 30 June 2020, the Group recorded the profit for the period of approximately RMB4.3 million, representing a decrease of approximately RMB5.8 million from the profit for the period of approximately RMB10.1 million in the corresponding period in 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL POSITION

Liquidity, Financial Resources and Capital Structure

For the six months ended 30 June 2020, the financial position of the Group remained stable. As at 30 June 2020, the total net book value of assets was approximately RMB627.7 million, representing an increase of approximately RMB30.3 million as compared to the total value of assets of approximately RMB597.4 million in the corresponding period in 2019. The Group's cash was mainly held for working capital and gas facilities and equipment needs.

As at 30 June 2020, the Group had approximately RMB196.7 million in cash and bank balances.

Capital Expenditure

The capital expenditure of the Group was mainly related to the payments for purchase of property, plant and equipment (including right-of-use assets) of approximately RMB3.4 million for the six months ended 30 June 2020.

Borrowings

The Group's short-term borrowings as at 30 June 2020 and 31 December 2019 are summarised below:

| | At 30 June 2020 RMB'000 | At 31 December 2019 RMB'000 |
|---------------------------------------|----------------------------------|--------------------------------------|
| Unsecured and unguaranteed | – | 100,000 |
| Secured by bank deposits of the Group | 140,851 | 36,370 |
| | 140,851 | 136,370 |

Gearing Ratio

The gearing ratio (calculated on the basis of the Group's total liabilities over total assets) was approximately 39.6% as at 30 June 2020 (31 December 2019: 37.7%). The increase in gearing ratio was mainly attributable to the increase in trade and bills payables of the Group.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2020, the Group had a total of 539 employees (including the staff of our joint venture, Jiangmen Xinjiang Gas) (at 30 June 2019: 593). 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. The Group regularly organizes safety and skills training for its employees, and encourages its employees to attend industry-related seminars organized by professional institutions, in order to enhance the safety and technical capability of employees and promote their career growth and development.

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS FROM THE LISTING

After deduction of all related listing expenses and commissions, the net proceeds from the listing of shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 28 December 2018 (the “**Listing**”) amounted to approximately HK\$120.3 million. Details of the proposed use of such net proceeds are disclosed in the section headed “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. Up to 30 June 2020, the Group has utilised the net proceeds from the Listing as follows:

| Intended use of proceeds | Original | Revised | Utilisation | Remaining | Expected timeline for full utilisation of the remaining proceeds ⁽⁴⁾ |
|---|--------------|--------------|---------------|---------------------------|---|
| | Allocation | Allocation | as at 30 June | balance | |
| | HK\$ million | HK\$ million | 2020 | as at 30 June | |
| | | | HK\$ million | 2020 | |
| | | | | HK\$ million | |
| To acquire operating rights of an LPG domestic station ⁽¹⁾ | 20.5 | 20.5 | 0 | 20.5 | By the end of 2021 |
| To strengthen our LPG logistics and storage capacity by constructing storage facilities ⁽²⁾ | 21.7 | 21.7 | 0 | 21.7 | By the end of 2021 |
| To complete construction, purchase land, equipment and machineries and installation for the new CNG mother station ⁽²⁾ | 27.7 | 14.5 | 11.5 | 3.0 | By the end of 2021 |
| To construct new refuelling stations, purchase and install their requisite equipment and machineries and perform maintenance of our existing refuelling stations ⁽²⁾ | 24.1 | 16.1 | 15.9 | 0.2 | By the end of 2020 |
| To increase our logistics capacity by purchasing additional vehicle fleets | 14.4 | 14.4 | 0 | 14.4 | By the end of 2023 |
| To finance the acquisition ⁽³⁾ | – | 21.1 | 21.1 | 0 | – |
| General working capital | 12.0 | 12.0 | 12.0 | 0 | – |
| Total | 120.3 | 120.3 | 60.5 | 59.8⁽⁵⁾ | |

Notes:

- Due to the impact of the Epidemic on the global economy and business environment, the Group has not yet identified a suitable acquisition target. The Group will continue to actively identify suitable acquisition targets by adopting prudent strategy.
- The construction of storage facilities, new CNG mother stations and new refuelling stations related project are affected by the change of project progress and the Epidemic, and the Group will delay the use of net proceeds accordingly.
- The board (the “**Board**”) of directors (the “**Directors**”) of the Company is of the view that, the cost of constructing CNG mother station and refuelling stations was lower than expected and therefore idle funds were generated, while the natural gas business in Henan Province still has certain degree of potential for development, and the acquisition of interests in Henan Blue Sky served similar purpose of constructing new stations and thus part of the proceeds had been then reallocated to the acquisition. As of the date of this report, the Group has completed the acquisition of the equity interests in Henan Blue Sky, and fully utilised the redistributed net proceeds at the end of March 2020. For details, please refer to announcement of the Company dated 27 February 2020.
- The expected timeline for full utilisation of the remaining proceeds is made based on the best estimation of the Group taking into account, among others, business developments and needs and the prevailing and future market conditions, and therefore is subject to change.
- As of 30 June 2020, the unutilised net proceeds were deposited into interest-bearing bank accounts.

MANAGEMENT DISCUSSION AND ANALYSIS

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 30 June 2020, the listing proceeds were denominated in Hong Kong Dollar (“**HKD**”). Therefore, the foreign exchange risk assumed by us primarily arises from movements in the exchange rates of HKD and Renminbi (“**RMB**”). In the first half of 2020, 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 six months ended 30 June 2020. 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 30 June 2020, the Group held other financial assets approximately RMB6.2 million, including foreign exchange forward contracts of approximately RMB2.8 million and unlisted equity securities of approximately RMB3.4 million, of which unlisted equity securities was a supplemental means to improve utilisation 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

On 27 February 2020, Sino Gas Investment Group Limited (“**HK Investment**”), an indirect wholly owned subsidiary of the Company, entered into a sale and purchase agreement with Henan Blue Sky Gas Corporation (“**Blue Sky Gas**”) and Henan Blue Sky, pursuant to which, HK Investment had agreed to purchase, and Blue Sky Gas had agreed to sell, 50% of the equity interests in Henan Blue Sky, at a total cash consideration of RMB19.0 million. The acquisition was completed on 28 February 2020. Upon completion, Henan Blue Sky has become a wholly owned subsidiary of the Company. For details, please refer to the announcement of the Company dated 27 February 2020.

For the six months ended 30 June 2020, apart from the aforementioned acquisition, the Group had no material acquisitions and disposals of subsidiaries or joint ventures.

CONTINGENT LIABILITIES

For the six months ended 30 June 2020, 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 RMB64.4 million. Based on legal advice, the Directors do not consider it probable that the subsidiary will be found liable to these claims and accordingly, no provision has been made as at 30 June 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

PLEDGE OF ASSETS

Included in cash at bank and on hand, RMB65.5 million was pledged as securities for the Group's bank loans at 30 June 2020, RMB7.2 million was pledged as securities for the Group's foreign exchange forward contracts outstanding at 30 June 2020, and RMB16.0 million was pledged as securities for bank acceptance notes issued by the Group.

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.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2020, the following Directors and chief executive of the Company had or were deemed to have interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO") (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"):

| Name of Director | Capacity/nature of interest | Number of ordinary shares held (Note 1) | Approximate percentage of shareholding (%) (Note 2) |
|-------------------------|--|--|--|
| Mr. Ji Guang ("Mr. Ji") | Founder of a discretionary trust, interest in controlled corporations (Note 3) | 162,000,000 shares (L) | 75% |

Notes:

- The letter "L" denotes to the person with long position in the shares.
- The calculation is based on the total number of 216,000,000 shares in issue as at 30 June 2020.
- These interests comprise 121,500,000 shares held by China Full Limited ("China Full"), 24,300,000 shares held by Petrochemical Gas Energy Group Limited ("PCG Employee BVI") and 16,200,000 shares held by Petrochemical Gas Energy Limited ("PCG BVI").

China Full is wholly owned by Sino Gas Holdings Group Limited ("Sino Gas BVI"), a wholly-owned subsidiary of Petrochemical Gas Group Limited ("VISTA Co"), which is wholly owned by UBS Trustees (BVI) Limited ("UBS Trustees") through UBS Nominees Limited.

UBS Trustees acts as the trustee of J&Y Family Trust, which is a discretionary trust established by Mr. Ji (as founder and protector) and under the relevant deed which constitutes the J&Y Family Trust, the trustee shall only add or remove discretionary objects of J&Y Family Trust with the consent of the protector. The discretionary objects of J&Y Family Trust include Mr. Ji himself, his spouse and his daughter, Ms. Ji Ling who is an executive Director. By virtue of the SFO, Mr. Ji is deemed to be interested in the same parcel of shares held by China Full.

Both PCG Employee BVI and PCG BVI are wholly owned by Mr. Ji. By virtue of the SFO, Mr. Ji is deemed to be interested in the both parcels of shares held by PCG Employee BVI and PCG BVI.

Save as disclosed above, as at 30 June 2020, none of the Directors and chief executive of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he was taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2020, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of interests required to be kept by the Company under Section 336 of the SFO:

| Name of Shareholder | Capacity/nature of interest | Number of ordinary shares held (Note 1) | Approximate percentage of shareholding (%) (Note 2) |
|----------------------|---|--|--|
| UBS Trustees | Trustee of a trust | 121,500,000 shares (L) | 56.25% |
| UBS Nominees Limited | Interest of controlled corporation (Note 3) | 121,500,000 shares (L) | 56.25% |
| VISTA Co | Interest of controlled corporation (Note 3) | 121,500,000 shares (L) | 56.25% |
| Sino Gas BVI | Interest of controlled corporation (Note 3) | 121,500,000 shares (L) | 56.25% |
| China Full | Beneficial owner | 121,500,000 shares (L) | 56.25% |
| PCG Employee BVI | Beneficial owner | 24,300,000 shares (L) | 11.25% |
| PCG BVI | Beneficial owner | 16,200,000 shares (L) | 7.50% |
| Yang Ling | Interest of Spouse (Note 4) | 162,000,000 shares (L) | 75% |

Notes:

- The letter "L" denotes to the person with long position in the shares.
- The calculation is based on the total number of 216,000,000 shares in issue as at 30 June 2020.
- UBS Trustees, the trustee of J&Y Family Trust, in its capacity as trustee (through UBS Nominees Limited, its wholly-owned subsidiary) holds the entire issued share capital of VISTA Co, which in turn indirectly owns the entire equity interest of China Full through Sino Gas BVI, all of which are indirectly wholly owned by UBS Trustees in its capacity as trustee. J&Y Family Trust a discretionary trust established by Mr. Ji and the discretionary objects of the Trust include Mr. Ji himself, his spouse and his daughter, Ms. Ji Ling. By virtue of the SFO, UBS Trustees, UBS Nominees Limited, VISTA Co and Sino Gas BVI are deemed to be interested in the same parcel of shares held by China Full.

Both PCG Employee BVI and PCG BVI are wholly owned by Mr. Ji.
- Ms. Yang Ling is the spouse of Mr. Ji. Therefore, Ms. Yang Ling is deemed to be interested in the shares in which Mr. Ji is interested by virtue of the SFO.

Save as disclosed above, as at 30 June 2020, none of the substantial or significant shareholders or other persons, other than the Directors and chief executive of the Company whose interests are set out in the paragraph headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had any interests or short positions in the shares or underlying shares as recorded in the register required to be kept by the Company under Section 336 of the SFO.

OTHER INFORMATION

SHARE OPTION SCHEME

The share option scheme of the Company (the “**Share Option Scheme**”) has been conditionally adopted on 22 November 2018.

Purpose To enable our Group to grant options to selected participants as incentives or rewards for their contribution to our Group. Our Directors consider the Share Option Scheme, with its broadened basis of participation, will enable our Group to reward the employees, our Directors and other selected participants for their contributions to our Group.

Who may join Our Directors may at any time within a period of ten years commencing from the date of adoption of the Share Option Scheme, at its absolute discretion, in accordance with the provisions of the Share Option Scheme and the Listing Rules make an offer to any person belonging to any of the following classes of participants (“**Eligible Participant**”), to take up options to subscribe for Shares:

- (i) any employee (“**Eligible Employee**”) (whether full-time or part-time including any executive director but excluding any non-executive director) of our Company, any of our subsidiaries or any entity (“**Invested Entity**”) in which any member of our Group holds an equity interest;
- (ii) any non-executive directors (including independent non-executive directors) of our Company, any of our subsidiaries or any Invested Entity;
- (iii) any supplier of goods or services to any member of our Group or any Invested Entity;
- (iv) any customer of any member of our Group or any Invested Entity;
- (v) any person or entity that provides research, development or other technological support to any member of our Group or any Invested Entity;
- (vi) any shareholder of any member of our Group or any Invested Entity or any holder of any securities issued by any member of our Group or any Invested Entity;
- (vii) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of our Group or any Invested Entity; and
- (viii) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of our Group;

and, for the purposes of the Share Option Scheme, the offer for the grant of option may be made to any company wholly owned by one or more persons belonging to any of the above classes of participants.

OTHER INFORMATION

| | |
|---|---|
| Maximum number of shares available for issue under the scheme | <p>(i) The maximum number of shares of the Company which may be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme adopted by our Group must not in aggregate exceed 30% of the share capital of our Company in issue from time to time.</p> <p>(ii) The total number of the shares of the Company which may be allotted and issued upon the exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Group) to be granted under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the shares in issue on the Listing Date (such 10% being 21,600,000 shares).</p> |
| Maximum entitlement of each participant | The total number of shares issued and which may fall to be issued upon the exercise of the options granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised and outstanding options) to each grantee in any 12-month period shall not exceed 1% of the issued share capital of our Company for the time being. |
| Period within which the securities must be taken up under an option | <p>An option may be accepted by a participant within 21 days from the date of the offer for the grant of the option.</p> <p>An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by our Directors to each grantee, which period may commence from the date of the offer for the grant of options is made, but shall end in any event not later than 10 years from the date of the offer for the grant of the option subject to the provisions for early termination thereof. Unless otherwise determined by our Directors and stated in the offer for the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.</p> |
| Performance targets | Unless our Directors otherwise determined and stated in the offer for the grant of options to a grantee, a grantee is not required to achieve any performance targets before any options granted under the Share Option Scheme can be exercised. |
| Subscription price for the shares and consideration for the option | The subscription price for the shares under the Share Option Scheme shall be a price determined by our Directors, but shall not be less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the shares on the date of the offer for the grant of the option, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of the offer for the grant of the option; and (iii) the nominal value of a share. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option. |
| Period of the Share Option Scheme | The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted. |

No options had been granted or agreed to be granted under the Share Option Scheme since its adoption and up to the date of this report. The Company did not have any outstanding share options, warrants and instruments convertible into shares as at 30 June 2020 and up to the date of this report.

OTHER INFORMATION

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has applied the principles set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Listing Rules. The Company also has in place a corporate governance framework and has established a set of policies and procedures based on the CG Code. The Board is of the view that the Company has complied with the code provisions of the CG Code as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2020, except for deviation from code provision A.2.1 as explained below.

Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Ji 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 the 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 its 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 independent non-executive Directors. Major decisions will be made by the Board after discussions and deliberations among Directors, including the independent non-executive Directors 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. Specific enquiry has been made to all the Directors and the Directors have confirmed that they have complied with the Securities Dealing Code throughout the six months ended 30 June 2020.

CHANGES IN DIRECTORS’ INFORMATION

Pursuant to the disclosure requirement under Rule 13.51B(1) of the Listing Rules, the changes in information of the Directors for the six months ended 30 June 2020 and up to the date of this report are set out below:

Ms. Ji Ling was appointed as a director of Hebei Sino Gas New Energy Technology Company Limited (河北中油潔能新能源科技有限公司), a subsidiary of the Company, on 6 March 2020.

Ms. Cui Meijian was appointed as a director of Henan Blue Sky on 28 February 2020.

Dr. Zheng Jian Peng resigned as executive director and company secretary of China Oil Gangran Energy Group Holdings Limited (Provisional Liquidators Appointed (for Restructuring Purposes)) (stock code: 8132) on 25 February 2020 and 22 April 2020 respectively.

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 throughout the six months ended 30 June 2020.

DIVIDENDS

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2020.

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 report, the Company has maintained the prescribed percentage of public float under the Listing Rules.

REVIEW BY THE AUDIT COMMITTEE

The Audit Committee has reviewed the unaudited condensed consolidated interim results for the six months ended 30 June 2020 and this report, and agreed with the accounting principles and practices adopted by the Company.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this report, there is no other significant event of the Group after 30 June 2020 and up to the date of this report.

By Order of the Board

Mr. Ji Guang

Chairman and Executive Director

Hong Kong, 28 August 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020 — unaudited (Expressed in Renminbi (“RMB”))

| | Note | Six months ended 30 June | |
|---|------|--------------------------|-----------------|
| | | 2020 RMB'000 | 2019 RMB'000 |
| Revenue | 3 | 631,333 | 673,083 |
| Cost of sales | | (584,553) | (607,377) |
| Gross profit | 3(b) | 46,780 | 65,706 |
| Other income | 4 | 10,114 | 8,821 |
| Staff costs | 5(b) | (19,153) | (20,783) |
| Depreciation and amortisation | 5(c) | (10,998) | (7,928) |
| Operating lease charges | 5(c) | (595) | (2,768) |
| Other operating expenses | 5(d) | (14,418) | (21,737) |
| Profit from operations | | 11,730 | 21,311 |
| Finance costs | 5(a) | (3,471) | (7,578) |
| Share of (losses)/profits of joint ventures | | (1,091) | 3,502 |
| Profit before taxation | | 7,168 | 17,235 |
| Income tax | 6 | (2,852) | (7,110) |
| Profit for the period | | 4,316 | 10,125 |
| Attributable to: | | | |
| Equity shareholders of the Company | | 5,742 | 13,209 |
| Non-controlling interests | | (1,426) | (3,084) |
| Profit for the period | | 4,316 | 10,125 |
| Earnings per share (RMB) | | | |
| — Basic and diluted | 7 | 0.03 | 0.06 |

The notes on pages 25 to 40 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 15.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020 — unaudited (Expressed in RMB)

| | Six months ended 30 June | |
|--|---------------------------------|-----------------|
| | 2020 RMB'000 | 2019 RMB'000 |
| Profit for the period | 4,316 | 10,125 |
| Other comprehensive income for the period (after tax): <i>Items that may be reclassified subsequently to profit or loss:</i> | | |
| — Exchange differences on translation into presentation currency of the Group | 2,660 | 22 |
| Total comprehensive income for the period | 6,976 | 10,147 |
| Attributable to: | | |
| Equity shareholders of the Company | 8,402 | 13,231 |
| Non-controlling interests | (1,426) | (3,084) |
| Total comprehensive income for the period | 6,976 | 10,147 |

The notes on pages 25 to 40 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020 — unaudited (Expressed in RMB)

| | Note | At 30 June 2020 RMB'000 | At 31 December 2019 RMB'000 |
|--|------|----------------------------------|--------------------------------------|
| Non-current assets | | | |
| Property, plant and equipment | 8 | 231,433 | 217,380 |
| Interests in joint ventures | | 16,877 | 35,070 |
| Other financial assets | 16 | 3,350 | 4,990 |
| Deferred tax assets | | 6,737 | 6,645 |
| | | 258,397 | 264,085 |
| Current assets | | | |
| Inventories | | 2,541 | 2,174 |
| Trade receivables | 9 | 102,559 | 107,166 |
| Other financial assets | 16 | 2,881 | – |
| Prepayments, deposits and other receivables | 10 | 58,451 | 53,900 |
| Income tax recoverable | | 6,175 | 3,739 |
| Cash at bank and on hand | 11 | 196,684 | 166,315 |
| | | 369,291 | 333,294 |
| Current liabilities | | | |
| Bank loans | 12 | 140,851 | 136,370 |
| Trade and bills payables | 13 | 17,548 | 1,474 |
| Accrued expenses and other payables | 14 | 41,841 | 37,650 |
| Lease liabilities | | 5,478 | 8,172 |
| | | 205,718 | 183,666 |
| Net current assets | | | |
| | | 163,573 | 149,628 |
| Total assets less current liabilities | | | |
| | | 421,970 | 413,713 |
| Non-current liabilities | | | |
| Other financial liabilities | | – | 463 |
| Lease liabilities | | 40,171 | 40,426 |
| Deferred tax liabilities | | 2,678 | 679 |
| | | 42,849 | 41,568 |
| NET ASSETS | | | |
| | | 379,121 | 372,145 |
| CAPITAL AND RESERVES | | | |
| Share capital | | 1,892 | 1,892 |
| Reserves | | 350,660 | 342,258 |
| Total equity attributable to equity shareholders of the Company | | | |
| | | 352,552 | 344,150 |
| Non-controlling interests | | | |
| | | 26,569 | 27,995 |
| TOTAL EQUITY | | | |
| | | 379,121 | 372,145 |

The notes on pages 25 to 40 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020 — unaudited (Expressed in RMB)

| | Attributable to equity shareholders of the Company | | | | | | Total RMB'000 | Non- controlling interests RMB'000 | Total RMB'000 |
|---|--|-----------------------------|-----------------------------|---------------------------------|--------------------------------|--------------------------------|------------------|---|------------------|
| | Share capital RMB'000 | Share premium RMB'000 | Other reserve RMB'000 | Statutory reserve RMB'000 | Exchange reserve RMB'000 | Retained profits RMB'000 | | | |
| Balance at 1 January 2019 | 1,892 | 173,360 | (11,970) | 40,500 | 76 | 116,622 | 320,480 | 37,924 | 358,404 |
| Changes in equity for the six months ended 30 June 2019: | | | | | | | | | |
| Profit for the period | - | - | - | - | - | 13,209 | 13,209 | (3,084) | 10,125 |
| Other comprehensive income for the period | - | - | - | - | 22 | - | 22 | - | 22 |
| Total comprehensive income | - | - | - | - | 22 | 13,209 | 13,231 | (3,084) | 10,147 |
| Other changes | - | - | - | - | - | 22 | 22 | (8,511) | (8,489) |
| Balance at 30 June 2019 | 1,892 | 173,360 | (11,970) | 40,500 | 98 | 129,853 | 333,733 | 26,329 | 360,062 |
| Balance at 1 January 2020 | 1,892 | 173,360 | (11,970) | 43,936 | 1,701 | 135,231 | 344,150 | 27,995 | 372,145 |
| Changes in equity for the six months ended 30 June 2020: | | | | | | | | | |
| Profit for the period | - | - | - | - | - | 5,742 | 5,742 | (1,426) | 4,316 |
| Other comprehensive income for the period | - | - | - | - | 2,660 | - | 2,660 | - | 2,660 |
| Total comprehensive income | - | - | - | - | 2,660 | 5,742 | 8,402 | (1,426) | 6,976 |
| Appropriation to reserves | - | - | - | 967 | - | (967) | - | - | - |
| Balance at 30 June 2020 | 1,892 | 173,360 | (11,970) | 44,903 | 4,361 | 140,006 | 352,552 | 26,569 | 379,121 |

The notes on pages 25 to 40 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2020 — unaudited (Expressed in RMB)

| | Six months ended 30 June | |
|---|---------------------------------|----------|
| | 2020 | 2019 |
| | RMB'000 | RMB'000 |
| Net cash (used in)/generated from operating activities | (51,946) | 8,786 |
| Net cash generated from/(used in) investing activities | 10,141 | (10,015) |
| Net cash (used in)/generated from financing activities | (1,939) | 66,984 |
| Net (decrease)/increase in cash and cash equivalents | (43,744) | 65,417 |
| Cash and cash equivalents at 1 January | 151,605 | 188,932 |
| Effect of foreign exchanges rates changes | 113 | 22 |
| Cash and cash equivalents at 30 June | 107,974 | 254,349 |

The notes on pages 25 to 40 form part of this interim financial report .

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(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) Basis of preparation of the financial statements

These interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on the Stock Exchange, including in compliance with International Accounting Standard (the “**IAS**”) 34, Interim financial reporting, issued by the International Accounting Standard Board. It was authorised for issue on 28 August 2020.

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 annual financial statements. Details of the changes in accounting policies are set out in note 2(b).

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2019 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards (the “**IFRS**”).

The financial information relating to the financial year ended 31 December 2019 that is included in the interim financial report as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. The Company’s auditor has expressed an unqualified opinion on those financial statements in its report dated 30 March 2020.

(b) Changes in accounting policies

The International Accounting Standards Board has issued the following amendments to IFRSs that are first effective for the current accounting period of the Group:

- Amendments to IFRS 3, *Definition of a Business*
- Amendment to IFRS 16, *Covid-19-Related Rent Concessions*

None of these 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 in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in RMB unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

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

Disaggregation of revenue from contracts with customers by major products or service lines and is as follows:

| | Six months ended 30 June | |
|--|--------------------------|-----------------|
| | 2020 RMB'000 | 2019 RMB'000 |
| Revenue from contracts with customers within the scope of IFRS 15 | | |
| Disaggregated by major products or service: | | |
| — LPG | 523,653 | 500,960 |
| — CNG | 74,232 | 149,990 |
| — LNG | 27,769 | 10,929 |
| — Others | 5,679 | 11,204 |
| | 631,333 | 673,083 |

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

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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in RMB unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

Segment results, assets and liabilities (Continued)

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 six months ended 30 June 2020 and 2019 is set out below.

| | Retail | | Wholesale | | Total | |
|--|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 2020 RMB'000 | 2019 RMB'000 | 2020 RMB'000 | 2019 RMB'000 | 2020 RMB'000 | 2019 RMB'000 |
| | For the six months ended 30 June | | | | | |
| Revenue recognised at a point in time from external customers and reportable segment revenue | 91,722 | 201,812 | 539,611 | 471,271 | 631,333 | 673,083 |
| Reportable segment gross profit | 29,351 | 56,139 | 17,429 | 9,567 | 46,780 | 65,706 |

(c) Reconciliations of reportable segment results to consolidated profit before taxation

| | Six months ended 30 June | |
|---|---------------------------------|-----------------|
| | 2020 RMB'000 | 2019 RMB'000 |
| Total reportable segment gross profit | 46,780 | 65,706 |
| Other income | 10,114 | 8,821 |
| Staff costs | (19,153) | (20,783) |
| Depreciation and amortisation | (10,998) | (7,928) |
| Operating lease charges | (595) | (2,768) |
| Other operating expenses | (14,418) | (21,737) |
| Finance costs | (3,471) | (7,578) |
| Share of (losses)/profits of joint ventures | (1,091) | 3,502 |
| Consolidated profit before taxation | 7,168 | 17,235 |

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in RMB unless otherwise indicated)

4 OTHER INCOME

| | Six months ended 30 June | |
|---|--------------------------|-----------------|
| | 2020 RMB'000 | 2019 RMB'000 |
| Gain on disposal of subsidiaries | – | 5,480 |
| Net gain on acquisition of control over a joint venture | 2,656 | – |
| Rental income from operating leases | 1,799 | 1,198 |
| Government grants | 4,130 | 125 |
| Interest income | 435 | 1,326 |
| Changes in fair value of other financial assets and liabilities | 1,704 | – |
| Net gain/(loss) on disposal of property, plant and equipment | 768 | (50) |
| Net foreign exchange loss | (1,730) | – |
| Others | 352 | 742 |
| | 10,114 | 8,821 |

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs:

| | Six months ended 30 June | |
|-------------------------------|--------------------------|-----------------|
| | 2020 RMB'000 | 2019 RMB'000 |
| Interest on bank loans | 2,302 | 6,202 |
| Interest on lease liabilities | 1,169 | 1,376 |
| | 3,471 | 7,578 |

No borrowing costs have been capitalised during the six months ended 30 June 2020 (six months ended 30 June 2019: RMB Nil).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in RMB unless otherwise indicated)

5 PROFIT BEFORE TAXATION (Continued)

(b) Staff costs:

| | Six months ended 30 June | |
|--|--------------------------|-----------------|
| | 2020 RMB'000 | 2019 RMB'000 |
| Salaries, wages and other benefits | 17,577 | 19,226 |
| Contributions to defined contribution retirement plans | 1,576 | 1,557 |
| | 19,153 | 20,783 |

(c) Other items:

| | Six months ended 30 June | |
|---|--------------------------|-----------------|
| | 2020 RMB'000 | 2019 RMB'000 |
| Depreciation charge | | |
| — owned property, plant and equipment | 6,634 | 4,903 |
| — right-of-use assets | 4,364 | 3,025 |
| Operating lease charges relating to short-term leases | 595 | 2,768 |
| (Reversal of impairment losses)/impairment losses: | | |
| — trade and other receivables | (92) | 28 |
| Cost of inventories | 584,553 | 607,377 |

(d) Other operating expenses:

| | Six months ended 30 June | |
|---------------------------|--------------------------|-----------------|
| | 2020 RMB'000 | 2019 RMB'000 |
| Utilities expenses | 2,670 | 4,545 |
| Maintenance expenses | 2,292 | 2,809 |
| Professional service fees | 1,805 | 4,033 |
| Administrative expenses | 1,212 | 2,221 |
| Entertainment expenses | 899 | 1,155 |
| Transportation fees | 768 | 1,259 |
| Other taxation | 746 | 1,256 |
| Others | 4,026 | 4,459 |
| Other operating expenses | 14,418 | 21,737 |

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in RMB unless otherwise indicated)

6 INCOME TAX

| | Six months ended 30 June | |
|---|--------------------------|-----------------|
| | 2020 RMB'000 | 2019 RMB'000 |
| Current tax | | |
| Provision for the period | 2,701 | 7,153 |
| Deferred tax | | |
| Origination and reversal of temporary differences | 151 | (43) |
| | 2,852 | 7,110 |

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 Group incorporated in Hong Kong are subject to Hong Kong Profits Tax rate of 16.5% for the six months ended 30 June 2020 (six months ended 30 June 2019: 16.5%). These companies did not have assessable profits for the six months ended 30 June 2020 (six months ended 30 June 2019: RMB Nil).
- (iii) The Group's subsidiaries in the PRC (excluding Hong Kong) are subject to PRC Enterprise Income Tax at a rate of 25% during the six months ended 30 June 2020 (six months ended 30 June 2019: 25%).

7 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB5,742,000 for the six months ended 30 June 2020 (six months ended 30 June 2019: RMB13,209,000) and the weighted average of 216,000,000 ordinary shares (six months ended 30 June 2019: 216,000,000 shares).

(b) Diluted earnings per share

There were no dilutive potential shares outstanding during the six months ended 30 June 2020 and 2019.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in RMB unless otherwise indicated)

8 PROPERTY, PLANT AND EQUIPMENT

(a) Right-of-use assets

For the six months ended 30 June 2020, additions to right-of-use assets were approximately RMB5.4 million, including ownership interests in leasehold land held for own use of approximately RMB5.4 million (six months ended 30 June 2019: RMB Nil).

(b) Owned property, plant and equipment

For the six months ended 30 June 2020, the Group's additions to owned property, plant and equipment were approximately RMB21.1 million was recognised (six months ended 30 June 2019: approximately RMB23.7 million), including the additions due to the acquisition of a subsidiary. Property, plant and equipment with a net carrying amount of approximately RMB1.5 million were disposed during the six months ended 30 June 2020 (six months ended 30 June 2019: approximately RMB4.9 million), contributing to a gain on disposal of approximately RMB0.8 million (six months ended 30 June 2019: a loss on disposal of approximately RMB50,000).

9 TRADE RECEIVABLES

| | At 30 June 2020 RMB'000 | At 31 December 2019 RMB'000 |
|---|----------------------------------|--------------------------------------|
| Trade receivables due from: | | |
| — third parties | 73,381 | 82,862 |
| — related parties | 30,367 | 25,585 |
| | 103,748 | 108,447 |
| Less: loss allowance | (1,189) | (1,281) |
| Financial assets measured at amortised cost | 102,559 | 107,166 |

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in RMB unless otherwise indicated)

9 TRADE RECEIVABLES (Continued)

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:

| | At 30 June 2020 RMB'000 | At 31 December 2019 RMB'000 |
|----------------|----------------------------------|--------------------------------------|
| Within 1 month | 52,253 | 58,233 |
| 1 to 3 months | 41,355 | 40,102 |
| 3 to 6 months | 8,951 | 8,831 |
| | 102,559 | 107,166 |

10 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | At 30 June 2020 RMB'000 | At 31 December 2019 RMB'000 |
|---|----------------------------------|--------------------------------------|
| Value added tax recoverable | 8,883 | 8,730 |
| Receivables relating to disposal of unlisted equities (Note (ii)) | – | 14,080 |
| Prepayments for purchase of inventories | 42,688 | 23,676 |
| Advances to staff | 3,173 | 2,962 |
| Deposits for operating expenses | 2,273 | 1,870 |
| Others | 9,517 | 10,665 |
| | 66,534 | 61,983 |
| Less: loss allowance | (8,083) | (8,083) |
| | 58,451 | 53,900 |

Notes:

- (i) All of the prepayments, deposits and other receivables, net of loss allowance, are expected to be recovered or recognised as expenses within one year.
- (ii) The amount represented the net proceeds from the disposal of unlisted equity securities. These proceeds were received in January 2020.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in RMB unless otherwise indicated)

11 CASH AT BANK AND ON HAND

| | At 30 June 2020 RMB'000 | At 31 December 2019 RMB'000 |
|--|--|--------------------------------------|
| Cash at bank and on hand | 107,974 | 151,605 |
| Pledged and restricted bank deposits (Note (i)) | 88,710 | 14,710 |
| Cash at bank and on hand in the consolidated statement of financial position | 196,684 | 166,315 |
| Less: pledged and restricted bank deposits | (88,710) | (14,710) |
| Cash and cash equivalents in the consolidated cash flow statement | 107,974 | 151,605 |

Notes:

- (i) Included in cash at bank and on hand, RMB65.5 million was pledged as securities for the Group's bank loans at 30 June 2020, RMB7.2 million was pledged as securities for the Group's foreign exchange forward contracts outstanding at 30 June 2020, and RMB16.0 million was pledged as securities for bank acceptance notes issued by the Group.
- (ii) The Group's operations in the PRC (excluding Hong Kong) conducted their businesses in RMB. RMB is not a freely convertible currency and the remittance of funds out of the PRC (excluding Hong Kong) is subject to the exchange restrictions imposed by the PRC government.

12 BANK LOANS

The Group's short-term bank loans are analysed as follows:

| | At 30 June 2020 RMB'000 | At 31 December 2019 RMB'000 |
|---------------------------------------|--|--------------------------------------|
| Unsecured and unguaranteed | – | 100,000 |
| Secured by bank deposits of the Group | 140,851 | 36,370 |
| | 140,851 | 136,370 |

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in RMB unless otherwise indicated)

13 TRADE AND BILLS PAYABLES

| | At 30 June 2020 RMB'000 | At 31 December 2019 RMB'000 |
|--|----------------------------------|--------------------------------------|
| Trade payables | 1,548 | 1,474 |
| Bills payables | 16,000 | – |
| Financial liabilities measured at amortised cost | 17,548 | 1,474 |

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:

| | At 30 June 2020 RMB'000 | At 31 December 2019 RMB'000 |
|----------------|----------------------------------|--------------------------------------|
| Within 1 month | 786 | 615 |
| 1 to 3 months | 451 | 426 |
| 3 to 6 months | 16,311 | 433 |
| | 17,548 | 1,474 |

14 ACCRUED EXPENSES AND OTHER PAYABLES

| | At 30 June 2020 RMB'000 | At 31 December 2019 RMB'000 |
|---|----------------------------------|--------------------------------------|
| Accrued transportation expenses | 18,125 | 18,125 |
| Payables for purchase and construction of property, plant and equipment | 2,251 | 1,726 |
| Payables for staff related costs | 3,285 | 3,806 |
| Other taxes payable | 1,151 | 1,165 |
| Others | 6,845 | 5,691 |
| Financial liabilities measured at amortised cost | 31,657 | 30,513 |
| Contract liabilities — receipts in advance from customers | 10,184 | 6,812 |
| Financial guarantee issued | – | 325 |
| | 41,841 | 37,650 |

All of accrued expenses and other payables are expected to be settled or recognised as revenue within one year or are repayable on demand.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in RMB unless otherwise indicated)

15 DIVIDENDS

Dividends payable to equity shareholders of the Company for the interim period

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: RMB Nil).

16 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial assets and liabilities measured at fair value

(i) Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorise into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in RMB unless otherwise indicated)

16 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

(a) Financial assets and liabilities measured at fair value (Continued)

(i) Fair value hierarchy (Continued)

| | Fair value measurements at | | | Fair value measurements at | | |
|--|---|----------------------------------|--------------------|---|--------------------------------------|--------------------|
| | Fair value at 30 June 2020 RMB'000 | 30 June 2020 categorised into | | Fair value at 31 December 2019 RMB'000 | 31 December 2019 categorised into | |
| | | Level 2 RMB'000 | Level 3 RMB'000 | | Level 2 RMB'000 | Level 3 RMB'000 |
| Recurring fair value measurements | | | | | | |
| Assets: | | | | | | |
| Other financial assets: | | | | | | |
| — Unlisted equity securities | 3,350 | — | 3,350 | 3,350 | — | 3,350 |
| — Foreign exchange forward contracts | 2,881 | 2,881 | — | 1,640 | 1,640 | — |
| Liabilities: | | | | | | |
| Other financial liabilities: | | | | | | |
| — Foreign exchange forward contracts | — | — | — | (463) | (463) | — |

During the six months ended 30 June 2020, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of foreign exchange forward contracts in Level 2 is determined by discounting the contractual forward price and deducting the current spot rate. The discount rate used is derived from the relevant government yield curve as at the end of the reporting period plus an adequate constant credit spread.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in RMB unless otherwise indicated)

16 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

(a) Financial assets and liabilities measured at fair value (Continued)

(i) Fair value hierarchy (Continued)

Information about Level 3 fair value measurements

At 30 June 2020, costs of the unlisted equity securities are used as approximations of their fair values, as the most recent available information is not sufficient to determine the fair value. The movements during the period in the balance of the Level 3 fair value measurements are as follows:

| | 2020 RMB'000 | 2019 RMB'000 |
|---|-----------------|-----------------|
| Unlisted equity securities: At 1 January and 30 June | 3,350 | 13,700 |

(ii) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values at 30 June 2020 and 2019.

17 COMMITMENTS

Capital commitments outstanding at 30 June 2020 not provided for in the interim financial report

| | At 30 June 2020 RMB'000 | At 31 December 2019 RMB'000 |
|--|----------------------------------|--------------------------------------|
| Commitments in respect of property, plant and equipment: — contracted for | 2,625 | 1,460 |
| | 2,625 | 1,460 |

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in RMB unless otherwise indicated)

18 CONTINGENT LIABILITIES

During the six months ended 30 June 2020, 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 advice, the directors of the Company do not consider it probable that the subsidiary will be found liable to these claims and accordingly, no provision has been made at 30 June 2020.

19 MATERIAL RELATED PARTY TRANSACTIONS

The material related party transactions entered into by the Group during the six months ended 30 June 2020 are set out below.

Transactions with related parties

| | Six months ended 30 June | |
|--|--------------------------|-----------------|
| | 2020 RMB'000 | 2019 RMB'000 |
| Sales of goods | | |
| — a joint venture | 280,213 | 123,041 |
| Purchases of goods | | |
| — joint ventures | 22 | 100 |
| Provision of transportation services | | |
| — joint ventures | 389 | 175 |
| Guarantee issued to a bank in respect of bank facilities granted to and utilised by a related party | | |
| — a joint venture | — | 18,720 |

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in RMB unless otherwise indicated)

20 ACQUISITION OF CONTROL OVER A JOINT VENTURE

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 with a cash consideration of RMB19,000,000. Upon the completion of the acquisition, Henan Blue Sky became a wholly-owned subsidiary of the Group.

The following summarises the recognised amounts of assets acquired and liabilities assumed at the acquisition date.

| | RMB'000 |
|--|----------|
| Property, plant and equipment | 23,132 |
| Inventories | 630 |
| Trade receivables | 2,307 |
| Prepayments, deposits and other receivables | 7,613 |
| Cash at bank and on hand | 17,967 |
| Trade payables | (2,275) |
| Accrued expenses and other payables | (9,574) |
| Deferred tax liabilities | (1,756) |
| Fair value of identifiable net assets | 38,044 |
| Less: Total consideration paid in cash | (19,000) |
| Fair value of existing interest in Henan Blue Sky | (19,022) |
| Gain on bargain purchase | 22 |
| Gain on remeasurement of fair value of existing interest in Henan Blue Sky | 2,634 |
| Net gain on acquisition of control over a joint venture | 2,656 |

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(Continued)*

(Expressed in RMB unless otherwise indicated)

21 THE IMPACT OF NOVEL CORONAVIRUS (COVID-19) EPIDEMIC

The main operations of the Group are located in the PRC. The novel coronavirus (COVID-19) epidemic (the “**Epidemic**”) has spread all over the world including the PRC since January 2020 and a number of provinces and cities in the PRC have taken various emergency public health measures and other actions to prevent the spread of the Epidemic, leading to additional uncertainties in the Group’s operating environment and impact on the Group’s operations and financial position. The Group has been closely monitoring the impact from the Epidemic on the Group’s businesses and has commenced to put in place various contingency measures including but not limited to reassessing the adequacy and suitability of the Group’s existing suppliers’ inventory of LPG, CNG and LNG, increasing the monitoring of the business environment of the Group’s customers, improving the Group’s cash position by expediting debtor collections and implementing more cautious cost control measures. Given the uncertainty about the end date of the Epidemic, it may continue to cause the decrease in the Group’s sales of LPG, CNG and LNG. In addition, the Epidemic 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 effects cannot be accurately estimated as at the date of this report. The Group will continue to closely monitor the development of the Epidemic and market conditions, evaluate the impact of the Epidemic on the Group’s financial and business performance, and formulate corresponding response measures.