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)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

BUSINESS HIGHLIGHTS

For the six months ended 30 June 2023, the sales volume of liquefied petroleum gas decreased by approximately 29.0% to approximately 122.0 thousand tonnes (for the six months ended 30 June 2022: approximately 171.8 thousand tonnes), the sales volume of liquefied natural gas decreased by approximately 57.1% to approximately 0.3 thousand tonnes (for the six months ended 30 June 2022: approximately 0.7 thousand tonnes), and the sales volume of compressed natural gas decreased by approximately 0.9% to approximately 34.7 million cubic metres (for the six months ended 30 June 2022: approximately 35.0 million cubic metres).

For the six months ended 30 June 2023, the revenue decreased by approximately 37.6% to approximately RMB696.2 million (for the six months ended 30 June 2022: approximately RMB1,116.5 million).

For the six months ended 30 June 2023, the gross profit decreased by approximately 24.2% to approximately RMB36.6 million (for the six months ended 30 June 2022: approximately RMB48.3 million).

For the six months ended 30 June 2023, the profit for the period decreased by approximately 44.4% to approximately RMB1.0 million (for the six months ended 30 June 2022: approximately RMB1.8 million).

For the six months ended 30 June 2023, the profit attributable to equity shareholders of the Company decreased by approximately 44.4% to approximately RMB2.0 million (for the six months ended 30 June 2022: approximately RMB3.6 million).

THE FINANCIAL STATEMENTS

The board (the "**Board**") of directors (the "**Directors**") of Sino Gas Holdings Group Limited (the "**Company**") hereby announces the consolidated results of the Company and its subsidiaries (collectively, the "**Group**", "**our Group**", "**we**" or "**us**") for the six months ended 30 June 2023, together with the comparative figures for the corresponding period in 2022. These consolidated interim financial statements for the six months ended 30 June 2023 are unaudited, but have been reviewed by the audit committee of the Company (the "**Audit Committee**").

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended 30 June	
		2023	2022
	Note	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
Revenue	2	**696,197**	1,116,492
Cost of sales		**(659,614)**	(1,068,162)
Gross profit	*2(b)*	**36,583**	48,330
Other income	*3*	**9,542**	6,925
Staff costs	*4(b)*	**(15,670)**	(16,694)
Depreciation	*4(c)*	**(7,068)**	(9,902)
Operating lease charges	*4(c)*	**(234)**	(2,163)
Other operating expenses	*4(d)*	**(12,105)**	(13,869)
Finance costs	*4(a)*	**(5,641)**	(7,884)
Share of result of a joint venture		**(1,839)**	(259)
Share of result of an associate		**3**	(3)
Profit before taxation		**3,571**	4,481
Income tax expenses	*5*	**(2,567)**	(2,682)
Profit for the period		**1,004**	1,799
Attributable to:			
Equity shareholders of the Company		**1,985**	3,593
Non-controlling interests		**(981)**	(1,794)
Profit for the period		**1,004**	1,799
Earnings per share *(RMB)*	*6*		
— Basic and diluted		**0.01**	0.02

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Profit for the period	**1,004**	1,799
Other comprehensive income for the period (after tax):		
Item that are reclassified or may be reclassified subsequently to profit or loss:		
— Exchange difference on translation of functional currency to presentation currency	**3,450**	5,091
Total comprehensive income for the period	**4,454**	6,890
Attributable to:		
Equity holders of the Company	**5,435**	8,684
Non-controlling interests	**(981)**	(1,794)
Total comprehensive income for the period	**4,454**	6,890

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	At 30 June 2023 RMB'000 (unaudited)	At 31 December 2022 RMB'000 (audited)
Non-current assets			
Property, plant and equipment and right-of-use assets	7	**135,060**	141,728
Interest in a joint venture		**10,508**	12,347
Interest in an associate		**20,157**	20,154
Financial assets measured at fair value through profit or loss		**24,367**	24,367
Deferred tax assets		**12,049**	11,676
		202,141	210,272
Current assets			
Inventories		**3,108**	2,097
Trade receivables	8	**119,144**	149,113
Prepayments, deposits and other receivables		**71,591**	62,059
Income tax recoverable		**2,329**	5,044
Pledged and restricted deposits		**878,000**	427,500
Bank balances and cash		**106,724**	91,833
		1,180,896	737,646
Current liabilities			
Interest-bearing borrowings		**940,000**	507,500
Trade payables	9	**11,941**	6,863
Accrued expenses and other payables		**22,413**	28,886
Lease liabilities		**851**	1,175
		975,205	544,424
Net current assets		**205,691**	193,222
Total assets less current liabilities		**407,832**	403,494

	Note	At 30 June 2023 RMB'000 (unaudited)	At 31 December 2022 RMB'000 (audited)
Non-current liabilities			
Lease liabilities		**2,787**	2,886
Deferred tax liabilities		**1,821**	1,838
		4,608	4,724
NET ASSETS		**403,224**	398,770
CAPITAL AND RESERVES			
Share capital		**1,892**	1,892
Reserves		**379,406**	373,971
Total equity attributable to equity shareholders of the Company		**381,298**	375,863
Non-controlling interests		**21,926**	22,907
TOTAL EQUITY		**403,224**	398,770

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The condensed interim financial information for the six months ended 30 June 2023 (the "**Reporting Period**" or "**Period**") has been prepared in accordance with International Accounting Standards ("**IAS**") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board (the "**IASB**") and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). It was authorised for issue on 30 August 2023.

This condensed interim financial information contains the condensed consolidated financial statements and selected explanatory notes for the six months ended 30 June 2023 that are significant to an understanding of the changes in financial position and performance of the Group since 31 December 2022, and therefore, does not include all the information and disclosures required for a full set of financial statements prepared in accordance with all applicable IFRSs. They shall be read in conjunction with the consolidated financial statements for the year ended 31 December 2022.

The condensed interim financial information is unaudited, but has been reviewed by the audit committee of the Company (the "**Audit Committee**").

(b) Changes in accounting policies

The accounting policies adopted in preparing this condensed interim financial information are consistent with those applied in preparing the Group's consolidated financial statements for the year ended 31 December 2022. The adoption of the new/revised International Financial Reporting Standards ("**IFRSs**") that are relevant to the Group and effective for the current period had no significant effects on the results and financial position of the Group for the current and prior periods.

The Group has not early adopted any new/revised IFRSs that have been issued but are not yet effective for the financial year beginning on 1 January 2023. The directors are in the process of assessing the possible impact on the future adoption of these new/revised IFRSs, but are not yet in a position to reasonably estimate their impact on the Group's results and financial position.

2 REVENUE AND SEGMENT REPORTING

(a) Revenue

The Group is principally engaged in the retail and wholesale of liquefied petroleum gas (the "**LPG**"), compressed natural gas (the "**CNG**") and liquefied natural gas (the "**LNG**"). Further details regarding the Group's principal activities are disclosed in Note 2(b).

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

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products or service:		
— LPG	**558,951**	972,298
— CNG	**131,753**	133,985
— LNG	**1,713**	5,262
— Others	**3,780**	4,947
	696,197	1,116,492

(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 and the board of directors 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.

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, operating 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 2023 and 2022 is set out below:

	Retail		**Wholesale**		**Total**	
	For the six months ended 30 June (unaudited)					
	2023	2022	**2023**	2022	**2023**	2022
	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	**113,758**	126,395	**582,439**	990,097	**696,197**	1,116,492
Reportable segment gross profit	**31,300**	40,767	**5,283**	7,563	**36,583**	48,330

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

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Total reportable segment gross profit	**36,583**	48,330
Other income	**9,542**	6,925
Staff costs	**(15,670)**	(16,694)
Depreciation	**(7,068)**	(9,902)
Operating lease charges	**(234)**	(2,163)
Other operating expenses	**(12,105)**	(13,869)
Finance costs	**(5,641)**	(7,884)
Share of result of a joint venture	**(1,839)**	(259)
Share of result of an associate	**3**	(3)
Consolidated profit before taxation	**3,571**	4,481

3 OTHER INCOME

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Lease income from operating leases	**2,583**	2,581
Government grants	**387**	225
Interest income	**6,553**	6,126
Net loss on disposal of investments	**–**	(671)
Net foreign exchange (loss)/gain	**(30)**	(1,336)
Others	**49**	–
	9,542	6,925

4 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Interest on bank loans	**5,547**	7,129
Interest on lease liabilities	**94**	755
	5,641	7,884

(b) Staff costs

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Salaries, wages, and other benefits	**14,653**	15,623
Defined contribution retirement plan contributions	**1,017**	1,071
	15,670	16,694

(c) Other items

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Depreciation charge		
— Property, plant and equipment	**6,201**	7,333
— Right-of-use assets	**867**	2,569
Operating lease charges	**234**	2,163
Cost of inventories	**659,614**	1,068,162

(d) Other operating expenses

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Utilities expenses	**2,505**	2,579
Professional service fees	**2,624**	1,865
Maintenance expenses	**1,138**	922
Taxation other than income tax	**1,067**	1,510
Administrative expenses	**796**	463
Entertainment expenses	**1,096**	1,302
Transportation fees	**743**	427
Others	**2,136**	4,801
Other operating expenses	**12,105**	13,869

5 INCOME TAX

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current tax		
Provision for the period	**2,962**	4,769
Deferred tax		
Origination and reversal of temporary differences	**(395)**	(2,087)
	2,567	2,682

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 six months ended 30 June 2023 (six months ended 30 June 2022: 16.5%). These companies did not have assessable profits for the six months ended 30 June 2023 (six months ended 30 June 2022: RMB Nil).

(iii) The Group's subsidiaries in the People's Republic of China ("**PRC**") (excluding Hong Kong) are subject to PRC Enterprise Income Tax at a rate of 25% during the six months ended 30 June 2023 (six months ended 30 June 2022: 25%).

6 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 approximately RMB1,985,000 for the six months ended 30 June 2023 (six months ended 30 June 2022 (unaudited): approximately RMB3,593,000) and the weighted average of 216,000,000 ordinary shares (six months ended 30 June 2022 (unaudited): 216,000,000 ordinary shares).

(b) Diluted earnings per share

There were no dilutive potential shares outstanding during the six months ended 30 June 2023 and 2022 (unaudited).

7 PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

(a) Right-of-use assets

For the six months ended 30 June 2023, the additions to right-of-use assets were RMB Nil (six months ended 30 June 2022 (unaudited): RMB Nil).

(b) Property, plant and equipment

For the six months ended 30 June 2023, the Group's additions to property, plant and equipment were approximately RMB0.5 million (six months ended 30 June 2022 (unaudited): approximately RMB0.2 million). Property, plant and equipment with a net carrying amount of approximately RMB0.1 million were disposed during the six months ended 30 June 2023 (six months ended 30 June 2022 (unaudited): approximately RMB5.1 million), contributing to a gain on disposal of approximately RMB0.4 million (six months ended 30 June 2022 (unaudited): a loss on disposal of approximately RMB2.3 million).

8 TRADE RECEIVABLES

	At 30 June 2023 RMB'000 (unaudited)	At 31 December 2022 RMB'000 (audited)
Trade receivables due from:		
— the third parties	**106,569**	111,862
— a joint venture	**14,421**	39,097
	120,990	150,959
Less: loss allowance	**(1,846)**	(1,846)
	119,144	149,113

At 30 June 2023, no trade and other receivables are expected to be recovered after more than 12 months (2022: Nil).

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 2023 RMB'000 (unaudited)	At 31 December 2022 RMB'000 (audited)
Within 1 month	**114,614**	144,264
1 to 3 months	**3,446**	3,717
3 to 6 months	**1,084**	1,132
	119,144	149,113

9 TRADE PAYABLES

As of the end of the reporting period, the ageing analysis of trade creditors and bills payables (which are included in trade payables), based on the invoice date, is as follows:

	At 30 June 2023 RMB'000 (unaudited)	At 31 December 2022 RMB'000 (audited)
Trade payables — third parties	**11,941**	6,863
	11,941	6,863

The trade payables to third parties are unsecured, interest-free and with credit period of 30 to 90 days.

As of the end of the reporting period, the ageing analysis of the Group's trade payables by invoice date, is summarised as follows:

	At 30 June 2023 RMB'000 (unaudited)	At 31 December 2022 RMB'000 (audited)
Within 1 month	**9,639**	4,620
1 to 3 months	**317**	204
3 to 6 months	**478**	512
Over 6 months	**1,507**	1,527
	11,941	6,863

10 DIVIDENDS

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: RMB Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

In the first half of 2023, the global economy continued the trend of 2022, with a slowdown in overall growth, while China was one of the few major economies to see an upturn in growth. China's economy continued to rebound after the relaxation of the control of the COVID-19 pandemic (the "**Pandemic**") in late 2022. All localities and departments have proactively taken measures to bolster the consumer confidence. As consumption had a remarkable effect on the economic growth by serving as a main engine, the potential of domestic demand was unremittingly unleashed. At the same time, with the accelerated progress of major projects and the effective implementation of policy-based and developmental financial instruments, the scale of effective investment has continued to expand, providing important support for stable growth. As of 30 June 2023, China recorded a GDP of RMB59,303.4 billion, representing a year-on-year increase of 5.5% and an increase of 1% and 2.5% over the first quarter and last year respectively. The economy as a whole maintained a good recovery.

In the first half of 2023 (the "**Period**"), the liquefied petroleum gas (the "**LPG**") price in domestic market saw an upward movement before it declined. Combustion demand first improved and then weakened consequently. With the relaxation of the control of the Pandemic at the beginning of year, consumption desire was boosted, the catering and tourism industries gradually recovered, and the demand in chemical sector remained as the key growth point of consumption, which greatly boosted combustion demand. Yet, the demand declined in the second quarter as the off-season effect began to emerge. As of 30 June 2023, the apparent consumption of LPG in China was 40.7342 million tonnes, which increased by 7.84% quarter-over-quarter and 10.24% year-over-year. During the Period, the Group's procurement volume and sales volume both had a certain level of decline due to the increase in suppliers' self-use volume and the decrease in volume of some refineries and terminals incurred by their overhauls. With commitment to optimising the procurement of gas sources and exploring and developing new distribution channels for LPG this year, the Group externally tapped into markets of provinces in southwest China such as Jiangxi Province, Hunan Province and Guizhou Province as well as internally visited the western and northern regions of Guangdong Province in order to understand customers' demand for gas, acquire more quality customers and seek further cooperation.

In the first half of 2023, the natural gas market got rid of the shadow of geopolitical and other factors in 2022, it has seen a gradual balance between supply and demand and a resultant decline in natural gas prices. In the first half of the year, as China maintained sound economic performance, production and life resumed in an orderly manner, and demand for gas for industrial and commercial use, transportation, and power generation increased, the natural gas market in China returned to normal, with growth in supply and demand in tandem. The apparent consumption of natural gas from January to June in 2023 in China reached 194.1 billion cubic metres, up by 5.6% year-on-year. During the Period, the Group continued to optimise its procurement channels, reduced the cost of procuring natural gas, stabilised terminal sales, and carried out differentiated marketing activities to satisfy customers' needs in various aspects.

BUSINESS REVIEW

The Group is an integrated LPG and natural gas supplier in China 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, Henan Province and Hebei Province with over 17 years of proven track records in the industry.

For the six months ended 30 June 2023, the Group recorded revenue of approximately RMB696.2 million, representing a decrease of approximately RMB420.3 million from the revenue of approximately RMB1,116.5 million for the six months ended 30 June 2022. The decrease in revenue was mainly attributable to the decrease in sales of LPG and the decline in unit selling price of LPG and compressed natural gas (the "**CNG**") during the Period.

(a) LPG Business

LPG could be commonly used as fuel sources for cooking or heating appliances. As at 30 June 2023, the Group owned an LPG terminal with storage facilities and 3 LPG domestic stations through Jiangmen Xinjiang Gas Company Limited* (江門市新江煤氣有限公司) ("**Jiangmen Xinjiang Gas**", a jointly-controlled entity) in Jiangmen, 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 domestic stations and wholesale customers, and our customers mainly consist of wholesale customers.

For the six months ended 30 June 2023, the Group recorded the LPG sales revenue of approximately RMB559.0 million, representing a decrease of approximately RMB413.3 million from the LPG sales revenue of approximately RMB972.3 million in the corresponding period in 2022. The decrease in revenue was mainly attributable to the decrease in sales of LPG and the decline in unit selling price of LPG during the Period.

(b) CNG Business

CNG is widely used in short-distance vehicles such as local buses and private vehicles. As at 30 June 2023, we had 11 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 2023, the Group recorded the CNG sales revenue of approximately RMB131.8 million, representing a decrease of approximately RMB2.2 million from the CNG sales revenue of approximately RMB134.0 million in the corresponding period in 2022. The decrease in revenue was mainly attributable to the decline in unit selling price of CNG during the Period.

(c) 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 China government policies, the development and promotion of LNG has developed rapidly, especially with 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 2023, we had 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 the 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 2023, the Group recorded the LNG sales revenue of approximately RMB1.7 million, representing a decrease of approximately RMB3.6 million from the LNG sales revenue of approximately RMB5.3 million in the corresponding period in 2022. The decrease in revenue was mainly attributable to the decrease in sales volume of LNG and the decline in unit selling price of LNG during the Period.

As at 30 June 2023, we operated a total of 18 gas refuelling stations and 3 petroleum refuelling stations, with 3 jointly-owned LPG gas refuelling stations in Jiangmen, Guangdong Province.

As at 30 June 2023, the number of our refuelling stations in operation are set out below:

	As at 30 June 2023	As at 31 December 2022
Gas refuelling station		
LPG station	**3**	3
CNG station	**11**	11
L-CNG station	**1**	1
CNG mother station	**3**	3
Total number of gas refuelling stations	**18**	18
Petroleum refuelling station	**3**	3
Total	**21**	21

Meanwhile, as at 30 June 2023, the breakdown of our refuelling stations in operation by cities and provinces are set out below:

City, Province	**LPG**	**CNG**	**L-CNG**	**Petroleum refuelling stations**	**Total number of stations**
Jiangmen, Guangdong Province	3(1)	0	0	0	3
Total number of refuelling stations in Guangdong Province	3	0	0	0	3
Xinyang, Henan Province	0	0	0	0	0
Zhengzhou, Henan Province	0	8	0	1	9
Zhumadian, Henan Province	0	3(2)	0	2	5
Xinzheng, Henan Province	0	3(3)	1	0	4
Total number of refuelling stations in Henan Province	0	14	1	3(4)	18
Total	3	14	1	3	21

Notes:

1. The 3 LPG domestic stations are owned by Jiangmen Xinjiang Gas, a jointly-controlled entity of the Group.

2. It comprises 1 CNG mother station in Zhumadian City, Henan Province.

3. It comprises 2 CNG mother stations in Xinzheng City, Henan Province.

4. The 3 petroleum refuelling stations are run by an independent third party.

The revenue by our product mix for the six months ended 30 June 2023 and 2022 are summarised as below:

	For the six months ended 30 June 2023			For the six months ended 30 June 2022		
	Sales volume ***(Note)***	**Revenue** ***(RMB'000)***	**Percentage of revenue** ***(%)***	Sales volume *(Note)*	Revenue *(RMB'000)*	Percentage of revenue *(%)*
Retail						
LPG	**–**	**–**	**–**	800	6,794	0.6%
CNG	**29.24**	**112,045**	**16.1%**	29.3	114,339	10.2%
LNG	**334**	**1,713**	**0.2%**	734	5,262	0.4%
Sub-total		**113,758**	**16.3%**		126,395	11.2%
Wholesale						
LPG	**122,048**	**558,951**	**80.4%**	170,971	965,504	86.5%
CNG	**5.45**	**19,708**	**2.8%**	5.74	19,646	1.8%
Others		**3,780**	**0.5%**		4,947	0.5%
Sub-total		**582,439**	**83.7%**		990,097	88.8%
Total		**696,197**	**100%**		1,116,492	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

Into the second half of 2023, the completion of overhauls at main domestic refineries and the restoration of equipment coupled with the peak demand season will result in a significant increase in motivation for refineries' production and a further release of production capacity, which the supply of LPG is expected to increase simultaneously. In addition, in the second half of the year, fuel demand is gradually shifting from the off-season to the peak season, demand is recovering substantially, and the expansion of deep processing capacity is driving the demand in the LPG market, with strong demand for domestic and chemical LPG providing strong support for the strengthening of liquefied petroleum gas, and it is expected that the trend of the market in the South China will be positive.

At present, the global supply and demand of natural gas is balanced, and under the premise of no global extreme cold weather, the fundamentals of supply and demand are generally stable to good. As a result of the upturn in the domestic economy and the government's continued implementation of the Dual Carbon Strategy (雙碳戰略) and proactive imposition of environmental protection policies, demand for natural gas is expected to continue to pick up, and natural gas will continue to enjoy resilient growth in the service industry, transportation and heating sectors. China Petroleum Enterprise Association (中國石油企業協會) and others jointly released the "Blue Book of China Natural Gas Industry Annual Operating Report" (《中國天然氣行業年度運行報告藍皮書》), which predicts that the natural gas consumption in China will be approximately 444.057 billion cubic metres this year, representing an increase of 77.8 billion cubic metres or a year-on-year increase of 21.23%. At the same time, domestic upstream enterprises actively increase the reserves and production, long-term import prices are being stable, and the domestic supply capacity is also continuing to strengthen.

The year 2023 is not only the first year to fully implement the guidelines of the 20th CPC National Congress (中共二十大) but also a crucial year for the "14th Five-Year" plan (《十四五規劃》). In the face of the rapidly changing external environment, the coordination of energy security and green and low-carbon transformation will become a top priority. Committed to the same philosophy, the Group will carry it out in the daily production and operation of its existing gas business. Meanwhile, the Group will develop its existing market in depth, optimise the communication between upstream and downstream customers, continue to build the system for supply, sales and storage, and spare no effort to ensure stability in supply and price. The Group has been actively developing its own online sales and management platform this year to enhance its operation and management capabilities. As the Group also gives top priority to production safety this year, we will steadfastly promote safety development, carry out the remediation of hidden hazards in gas safety, raise customers' awareness of safe use of gas, and continue to work on safety assurance and safety-related promotion work.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2023, the Group recorded revenue of approximately RMB696.2 million, representing a decrease of approximately RMB420.3 million from the revenue of approximately RMB1,116.5 million in the corresponding period in 2022. The decrease in revenue was mainly attributable to the decrease in sales of LPG and the decline in unit selling price of LPG and CNG 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 RMB408.6 million from approximately RMB1,068.2 million in the corresponding period in 2022 to approximately RMB659.6 million in 2023, which was mainly due to the decrease in the purchase volume of LPG and the decline in the purchase unit price of LPG and CNG.

For the six months ended 30 June 2023, the gross profit of the Group was approximately RMB36.6 million, representing a decrease of approximately RMB11.7 million from the gross profit of approximately RMB48.3 million in the corresponding period in 2022. The decrease in gross profit was mainly due to the decline in the sales volume of LPG for vehicles which has relatively higher gross profit margin.

Other Income

For the six months ended 30 June 2023, the Group's other income amounted to approximately RMB9.5 million, representing an increase of approximately RMB2.6 million from other income of approximately RMB6.9 million in the corresponding period in 2022. This was mainly due to the increase in interest income and the decrease in exchange losses during the Period.

Staff Costs

For the six months ended 30 June 2023, the Group's staff costs were approximately RMB15.7 million, representing a decrease of approximately RMB1.0 million from the staff costs of approximately RMB16.7 million in the corresponding period in 2022. Compared with the same period last year, this was mainly due to the reduction of employees working for the refuelling stations incurred by the reduction of operations of two vehicular refuelling stations of the Group.

Depreciation

For the six months ended 30 June 2023, the depreciation of the Group was approximately RMB7.1 million, representing a decrease of approximately RMB2.8 million from the depreciation of approximately RMB9.9 million in the corresponding period in 2022. This was mainly due to the closure of 2 vehicular refuelling stations and the disposal of related assets by the Group in the corresponding period of last year.

Operating Lease Charges

For the six months ended 30 June 2023, the operating lease charges of the Group was approximately RMB0.2 million, representing a decrease of approximately RMB2.0 million from operating lease charges of approximately RMB2.2 million in the corresponding period in 2022. This was mainly due to the decrease in operating lease charges of the Group for two vehicular refuelling stations compared to the same period last year.

Other Operating Expenses

For the six months ended 30 June 2023, the Group's other operating expenses were approximately RMB12.1 million, representing a decrease of approximately RMB1.8 million from other operating expenses of approximately RMB13.9 million in the corresponding period in 2022. This was mainly due to the decrease of labour insurance expenses and quality control expenses during the Period.

Finance Costs

For the six months ended 30 June 2023, the Group's finance costs were approximately RMB5.6 million, representing a decrease of approximately RMB2.3 million from the finance costs of approximately RMB7.9 million in the corresponding period in 2022. This was mainly due to the decline in bank borrowing rate in 2023.

Profit Before Taxation

For the six months ended 30 June 2023, the Group's profit before taxation was approximately RMB3.6 million, representing a decrease of approximately RMB0.9 million from the profit before taxation of approximately RMB4.5 million in the corresponding period in 2022, which was mainly due to the decrease in gross profit during the Period.

Income Tax

For the six months ended 30 June 2023, the Group's income tax expense was approximately RMB2.6 million, representing a decrease of approximately RMB0.1 million from income tax expense of approximately RMB2.7 million in the corresponding period in 2022.

Profit for the Period

On the basis of the aforementioned reasons, for the six months ended 30 June 2023, the Group recorded the profit for the period of approximately RMB1.0 million, representing a decrease of approximately RMB0.8 million from the profit for the period of approximately RMB1.8 million in the corresponding period in 2022.

FINANCIAL POSITION

Liquidity, Financial Resources and Capital Structure

For the six months ended 30 June 2023, the financial position of the Group remained stable. As at 30 June 2023, the total value of assets was approximately RMB1,383.0 million, representing an increase of approximately RMB435.1 million as compared to the total value of assets of approximately RMB947.9 million as at 31 December 2022. The Group's cash was mainly held for working capital and gas facilities and equipment needs.

As at 30 June 2023, the Group had approximately RMB878.0 million pledged and restricted deposits with financial institutions and approximately RMB106.7 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 RMB0.2 million for the six months ended 30 June 2023.

Borrowings

The Group's short-term borrowings as at 30 June 2023 and 31 December 2022 are summarised as below:

	At 30 June 2023 *RMB'000* **(unaudited)**	At 31 December 2022 *RMB'000* (audited)
Secured	**940,000**	507,500

Gearing Ratio

The gearing ratio (calculated on the basis of the Group's total liabilities over total assets) was approximately 70.8% as at 30 June 2023 (31 December 2022: 57.9%). The increase in gearing ratio was mainly attributable to the increase in bank borrowings of the Group.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2023, the Group had a total of 400 employees (including the staff of our joint venture, Jiangmen Xinjiang Gas) (30 June 2022: 439). 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 remuneration payable to its employees includes salaries and allowances. The Group attaches importance to the creation and devotion of employees, acknowledges the important position of talent resource in the development of business operation and is committed to developing and maintaining good relationship with employees. 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.

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 2023, the Group had utilized approximately HK$68.6 million, representing approximately 57.0% of the net proceeds from the Listing as follows:

Intended use of proceeds	Original allocation *HK$ million*	Revised allocation as at 27 February 2020 *HK$ million*	Utilisation as at 30 June 2023 *HK$ million*	Remaining balance as at 30 June 2023 *HK$ million*	Expected timeline for full utilisation of the remaining proceeds[(4)]
To acquire operating rights of an LPG domestic station[(1)]	20.5	20.5	0	20.5	By the end of 2023
To strengthen our LPG logistics and storage capacity by constructing storage facilities[(2)]	21.7	21.7	0	21.7	By the end of 2023
To complete construction, purchase land, equipment and machineries and installation for the new CNG mother station	27.7	14.5	14.5	0	N/A
To construct new refuelling stations, purchase and install their requisite equipment and machineries and perform maintenance of our existing refuelling stations	24.1	16.1	16.1	0	N/A
To increase our logistics capacity by purchasing additional vehicle fleets	14.4	14.4	4.9	9.5	By the end of 2023
To finance the acquisition[(3)]	–	21.1	21.1	0	N/A
General working capital	12.0	12.0	12.0	0	N/A
Total	120.3	120.3	68.6	51.7[(5)]	

Notes:

1. The Group continues to actively identify suitable acquisition targets by adopting prudent strategy. As at the date of this announcement, the Group has not yet identified a suitable acquisition target. With continuous attention to the market, the Group will extend the time for use of proceeds properly if no suitable acquisition target is identified.

2. The construction of storage facilities is affected by the change of project progress, and the Group will postpone the use of net proceeds accordingly.

3. The Group acquired 50% of the equity interests of Henan Blue Sky Sino Gas Technology Company Limited ("**Henan Blue Sky**") and fully utilised the redistributed net proceeds at the end of March 2020. For details, please refer to the announcement of the Company dated 27 February 2020.

4. 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.

5. As of 30 June 2023, the unutilized net proceeds were deposited into interest-bearing bank accounts.

FOREIGN EXCHANGE EXPOSURE

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

The reporting currency of the Group is RMB. The Group has currency risk exposures arising from business operations and financial instruments that are denominated in a foreign currency, and such risk is primarily Hong Kong Dollar. In order to limit this foreign currency risk exposure, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rate or entering into appropriate forward contracts when necessary.

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 2023. 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 2023, the Group held unlisted equity securities of approximately RMB24.4 million, which was a supplemental means to improve utilisation of our cash on hand.

For the six months ended 30 June 2023, the Group had no definite future plans for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES OR JOINT VENTURES

For the six months ended 30 June 2023, the Group had no material acquisitions and disposals of subsidiaries, associates or joint ventures.

CONTINGENT LIABILITIES

In 2019, a subsidiary of the Group has been claimed, as one of the co-defendants, to compensate for damages for the purpose of debt disputes between the plaintiff and other third parties. The maximum exposure of the Group under the claims may amount to approximately RMB68,469,000 (the "**Claim I**"). In 2020, a judgement was determined in favour of the subsidiary of the Group without liability. In 2021, the aforementioned judgement was revoked for a re-trial and subsequently was completed and determined that no liability was required for the Group in 2022. After the completion of re-trial, the plaintiff had further submitted an appeal on the judgement. In June 2023, the court determined again that the subsidiary of the Group should not have liability. As at the date of this announcement, the subsidiary of the Group has not received further appeal from the plaintiff. In accordance with legal advice sought, the Directors are of the view that the subsidiary will not be found liable to the Claim I.

In 2023, a subsidiary of the Group has also been claimed, as one of the co-defendants, to compensate for damages for the purpose of debt disputes between the plaintiff and other third parties. The maximum exposure of the Group under the claims may amount to approximately RMB14,053,937 (the "**Claim II**"). The court trial of the case will be commenced on 20 November 2023. In accordance with legal advice sought, the Directors are of the view that the subsidiary will not be found liable to the Claim II by virtue of the resemblance between the Claim II and Claim I.

Accordingly, no provision has been made as at 30 June 2023.

PLEDGE OF ASSETS

Included in pledged and restricted deposits, RMB878,000,000 (2022: RMB427,500,000) was pledged as securities for the Group's bank loans as at 30 June 2023.

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.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Corporate governance is the process by which the Board instructs management of the Group to conduct its affairs with a view to ensuring that its objectives are met. The Board is committed to maintaining and developing robust corporate governance practices that are intended to ensure: (a) satisfactory and sustainable returns to shareholders; (b) that the interests of those who deal with the Company are safeguarded; (c) that overall business risk is understood and managed appropriately; (d) the delivery of high-quality products and services to the satisfaction of customers; and (e) that high standards of ethics are maintained.

The Company has applied the principles set out in Part 2 of the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange ("**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 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 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 2023.

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 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 2023.

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 2023.

DIVIDENDS

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2023.

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.

REVIEW BY THE AUDIT COMMITTEE

The Audit Committee has reviewed the unaudited condensed consolidated interim results for the six months ended 30 June 2023 and this announcement, and agreed with the accounting principles and practices adopted by the Company.

EVENTS AFTER THE REPORTING PERIOD

The Group is considering (i) the disposal of entire equity interests held by the Group in Henan Blue Sky through listing-for-sales (the "**Potential Disposal**"); and/or (ii) leasing out the operating rights and/or right of use of the CNG mother station, two CNG refuelling stations and two petroleum refuelling stations held by Henan Blue Sky to other third party(ies). The Company had issued a preliminary disclosure through the website of the Southern United Assets & Equity Exchange* (南方聯合產權交易中心) ("**SUAEE**") to attract interested parties. If further deemed necessary, the Group will conduct potential sales publicly through the SUAEE (or other property rights exchange institutions). For details, please refer to the announcement of the Company dated 10 August 2023.

Save as disclosed in this announcement, there is no other significant event of the Group after 30 June 2023 and up to the date of this announcement.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement was published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.sinogasholdings.com). The interim report of the Company for the six months ended 30 June 2023 containing all the information required by the Listing Rules will be dispatched to the Company's shareholders and published on the above websites in due course.

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

Hong Kong, 30 August 2023

As at the date of this announcement, the Directors are:

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

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

* *English translation of Chinese name is included for information only.*