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

2021
INTERIM REPORT

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

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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P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEADQUARTERS IN PEOPLE'S REPUBLIC OF CHINA

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Caifu Shiji Square
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
Hong Kong

AUDITORS

KPMG
Public Interest Entity Auditor
registered in accordance with the Financial
Reporting Council Ordinance
8th Floor, Prince's Building
10 Chater Road
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.
Guangzhou Conghua Branch

COMPANY'S WEBSITE ADDRESS

www.sinogasholdings.com

STOCK CODE

1759

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

When we look back at the first half of 2021 (the "**Period**"), with the steady progress in vaccination of novel coronavirus (COVID-19) (the "**COVID-19**") around the world and the successive lifting of lockdown in countries and regions, the COVID-19 pandemic (the "**Pandemic**") gradually eased off and the global economy continued to recover. In the first half of 2021, the GDP of the People's Republic of China (the "**PRC**") recorded RMB53,216.7 billion, representing a year-on-year increase of 12.7% and an average growth of 5.3% in the past two years. On a quarterly basis it grew by 18.3% year on year in the first quarter and 5.0% on average in the past two years, and a year-on-year growth in the second quarter was 7.9% and the two-year average growth was 5.5%.

The gradual recovery of economy will effectively accelerate the growth of energy supply side.

In terms of liquefied petroleum gas (the "**LPG**"), due to OPEC's implementation of relatively strict production control and the stable production of U.S. crude oil, the demand for crude oil gradually improved and the oil price kept rising, which also led to the continuous rise in LPG prices. During the Period, the price of LPG as a whole presented a sharply volatile trend that rose at first, then slowed down and went up again. With the significant alleviation of the Pandemic at home, the production and consumption of LPG have increased, refinery operating rate has successively rebounded, and demand has gradually recovered. From January to May 2021, the apparent consumption of LPG in China was 28.3211 million tonnes, representing a year-on-year increase of 15.15%. As the global economy and industrial production gradually recovered, the growth of demand for LPG will remain relatively strong. During the Period, sales of wholesale business of the Group remained stable. LPG fuels for vehicles were affected by the progress of structural adjustment on transportation energy policy, which incurred a dramatic decrease in demand. At the same time, the upgrading of pandemic prevention and control in the Group's business area and the impact of safety inspection on end demand have spelled a small decline in the retail sector of vehicle end.

With regard to natural gas, its market demand was robust, and it grew by 21.2% year on year in the first half of 2021, basically reaching the 13th Five-Year average annual growth level. In particular, the consumption of gas for industrial use maintained a rapid growth, exceeding the level of previous years. 2021 is the first year of the 14th Five-Year Plan as well as the year to comprehensively launch Peak Carbon Dioxide Emission before 2030 and Achieve Carbon Neutrality before 2060 Action. The natural gas industry is bound to keep a steady growth. In medium-to-long term, the development of natural gas is still bullish. Natural gas is the most realistic choice in the development of low-carbon transformation, shouldering the mission of transiting energy consumption structure from fossil fuels to renewable energy. The 14th Five-Year Plan period will certainly be an indispensable window in the course of developing natural gas and natural gas will definitely have its niche in future novel energy system. During the Period, the Group's natural gas business will also grow steadily.

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 15 years of proven track records in the industry.

For the six months ended 30 June 2021, the Group recorded revenue of approximately RMB761.5 million, representing an increase of approximately RMB130.2 million from the revenue of approximately RMB631.3 million for the six months ended 30 June 2020. The increase in revenue was mainly attributable to the increase in sales volume of compressed natural gas (the "**CNG**") and the increase 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 2021, the Group had 3 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. During the Period, affected by the structural adjustment on transportation energy policy and the Pandemic, the number of refuelling vehicles decreased drastically, which led to a significant decrease in sales and loss of a LPG vehicular refuelling station. Therefore, the Group closed the LPG refuelling station and is trying to convert the LPG refuelling station into a hydrogenation station in response to the government's policy.

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 2021, the Group had recorded the LPG sales revenue of approximately RMB614.0 million, representing an increase of approximately RMB90.3 million from the LPG sales revenue of approximately RMB523.7 million in the corresponding period in 2020. The increase in revenue was mainly attributable to the rise in the unit selling price 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 2021, 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 2021, the Group had recorded the CNG sales revenue of approximately RMB113.6 million, representing an increase of approximately RMB39.4 million from the CNG sales revenue of approximately RMB74.2 million in the corresponding period in 2020. The increase in revenue was mainly attributable to the increase in sales of CNG for vehicles and the rise in unit selling price during the Period.

(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 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 2021, 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 2021, the Group had recorded the LNG sales revenue of approximately RMB29.3 million, representing an increase of approximately RMB1.5 million from the LNG sales revenue of approximately RMB27.8 million in the corresponding period in 2020. The increase in revenue was mainly attributable to the rise in the unit selling price of LNG during the Period.

As at 30 June 2021, we operated a total of 23 gas refuelling stations and 3 petroleum refuelling stations, of which 2 are jointly-owned gas refuelling stations.

As at 30 June 2021, the number of our refuelling stations in operation are set out below:

	As at 30 June 2021	As at 31 December 2020
Gas refuelling station		
LPG station	**5**[1]	6
CNG station	**12**	12
LNG station	**2**	2
L-CNG station	**1**	1
CNG mother station	**3**	3
Total number of gas refuelling stations	**23**	24
Petroleum refuelling station		
Petroleum refuelling stations	**3**	3
Total	**26**	27

Meanwhile, as at 30 June 2021, the breakdown of our refuelling stations in operation by cities and provinces are set out below:

City, Province	LPG	CNG	LNG	L-CNG	Petroleum refuelling stations	Total number of stations
Guangzhou, Guangdong Province	3	0	2	0	0	5
Jiangmen, Guangdong Province	2[(2)]	0	0	0	0	2
Total number of refuelling stations in Guangdong Province	5	0	2	0	0	7
Xinyang, Henan Province	0	1	0	0	0	1
Zhengzhou, Henan Province	0	8	0	0	1	9
Zhumadian, Henan Province	0	3[(3)]	0	0	2	5
Xinzheng, Henan Province	0	3[(4)]	0	1	0	4
Total number of refuelling stations in Henan Province	0	15	0	1	3	19
Total	5	15	2	1	3	26

Notes:

1. Affected by the structural adjustment on transportation energy policy and the Pandemic, a LPG refuelling station of the Group located in Guangzhou City, Guangdong Province noted a significant decrease in the number of refuelling vehicles, which led to a significant decrease in sales and loss of the LPG vehicular refuelling station. Therefore, the Group closed down the LPG refuelling station and is trying to convert the LPG refuelling station into a hydrogenation station in response to the government's policy.

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

3. It comprises one CNG mother station in Zhumadian City, Henan Province.

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

The revenue by our product mix for the six months ended 30 June 2021 and 2020 are summarised as below:

	For the six months ended 30 June 2021			For the six months ended 30 June 2020		
	Sales volume (Note)	**Revenue (RMB'000)**	**Percentage of revenue (%)**	Sales volume (Note)	Revenue (RMB'000)	Percentage of revenue (%)
Retail						
LPG	**3,007**	**18,037**	**2.4%**	3,355	20,537	3.3%
CNG	**28.85**	**94,641**	**12.4%**	23.34	63,888	10.1%
LNG	**2,707**	**11,418**	**1.5%**	1,845	7,297	1.2%
Sub-total		**124,096**	**16.3%**		91,722	14.6%
Wholesale						
LPG	**156,263**	**595,987**	**78.3%**	165,514	503,116	79.7%
CNG	**6.22**	**18,964**	**2.5%**	4.47	10,344	1.6%
LNG	**5,287**	**17,892**	**2.3%**	7,171	20,472	3.2%
Others		**4,582**	**0.6%**		5,679	0.9%
Sub-total		**637,425**	**83.7%**		539,611	85.4%
Total		**761,521**	**100%**		631,333	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

With the effective implementation of pandemic prevention and control and the expanding scale of vaccination, China has made major achievements in preventing and controlling pandemic. As production was carried out orderly in social and economic sectors, China's economy has made steady progress in recovery. However, there are still uncertainties such as the uncertain prospect of the international energy market, increasing geopolitical frictions, patchy vaccination and the recurrent outbreak of pandemic. Rooting in the current situation and looking forward to the second half of the year, the Group will continue to implement the policy of safe supply, transportation, sales and storage, stringently carry out pandemic prevention and control measures and keep daily business proceeding in a steady and orderly manner.

In the second half of 2021, the civilian and industrial demand side of LPG will continue to be the main foothold of the Group's business. In the first half of this year, the outbreak of the Pandemic was sporadic in some cities, but the situation remained stable in most regions. Demand declined in the second quarter, but prices rose slightly in the off-season, buoyed by the strong rise in international crude oil prices. From the beginning of the third quarter, heating demand and deep processing operating rates will begin to improve. With the advent of the peak consumption season, the consumption of LPG in the second half of 2021 will have greater room for improvement than the first half. The Group will continue to anchor in the civilian and industrial demand side, actively expand the sales channels and customer management, seek innovative sales patterns, and further expand our sales scale.

MANAGEMENT DISCUSSION AND ANALYSIS

The year 2021 coincides with the beginning year of the 14th Five-Year Plan. Under the influence of the double carbon targets, the energy mix will speed up its adjustment and the proportion of natural gas is bound to increase. In addition, with the slight alleviation of the Pandemic in China, the increasing marketised value of the industrial chain and the support of favourable policies and the construction of transportation and storage grids, it is expected that the second half of 2021 will see a gradual increase in demand for natural gas consumption. The Group will continue to integrate the business pattern of supply, transportation, storage and sales in the upstream, midstream and downstream with a view of taking every factor and aspect into consideration to promote the development of diversified terminal markets and deeply cultivate services and products so that our customers are targetedly served.

The Group has been endeavoring to explore the new energy field and promoting the transformation of business. The Group actively corresponds to the national and government's industrial policy of vigorously developing hydrogen energy and tries to transform the terminal refuelling station into a hydrogenation station. We have filed applications of 4 sites of hydrogenation station.

In the second half of 2021, the Group will adhere to the belief that constantly strengthening ability and enhancing quality in a practical manner can lead us to our goals and encourage our innovation. We will deeply root in the clean energy industry, remain alert to changes in domestic and international industries and focus on the innovation and expansion of business. We would like to join hands with our partners, employees and shareholders to create the future.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2021, the Group recorded revenue of approximately RMB761.5 million, representing an increase of approximately RMB130.2 million from the revenue of approximately RMB631.3 million in the corresponding period in 2020. The increase in revenue was mainly attributable to the increase in sales volume of CNG and the rise in the unit selling 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 increased by approximately RMB127.8 million from approximately RMB584.6 million in the corresponding period in 2020 to approximately RMB712.4 million in 2021, which was mainly due to the increase in the purchase volume of natural gas and the rise in the purchase unit price of LPG.

For the six months ended 30 June 2021, the gross profit of the Group was approximately RMB49.2 million, representing an increase of approximately RMB2.4 million from the gross profit of approximately RMB46.8 million in the corresponding period in 2020. The increase in gross profit was mainly due to the increase in the sales volume of CNG for vehicles.

Other Income

For the six months ended 30 June 2021, the Group's other income amounted to approximately RMB9.2 million, representing a decrease of approximately RMB0.9 million from other income of approximately RMB10.1 million in the corresponding period in 2020. This was mainly due to the increase in interest income and the decrease in government subsidy income during the Period.

Staff Costs

For the six months ended 30 June 2021, the Group's staff costs were approximately RMB18.2 million, representing a decrease of approximately RMB1.0 million from the staff costs of approximately RMB19.2 million in the corresponding period in 2020. This was mainly due to the decrease in the number of employees.

Depreciation

For the six months ended 30 June 2021, the depreciation of the Group was approximately RMB11.2 million, representing an increase of approximately RMB0.2 million from the depreciation of approximately RMB11.0 million in the corresponding period in 2020. This was mainly due to the increase of equipment during the Period.

Operating Lease Charges

For the six months ended 30 June 2021, the operating lease charges of the Group was approximately RMB0.6 million, basically unchanged from the operating lease charges of approximately RMB0.6 million in the corresponding period in 2020.

Other Operating Expenses

For the six months ended 30 June 2021, the Group's other operating expenses were approximately RMB14.1 million, which was basically unchanged from other operating expenses of approximately RMB14.5 million in the corresponding period in 2020.

Finance Costs

For the six months ended 30 June 2021, the Group's finance costs were approximately RMB8.4 million, representing an increase of approximately RMB4.9 million from the finance costs of approximately RMB3.5 million in the corresponding period in 2020. This was mainly due to the increase in bank borrowings during the Period.

Profit Before Taxation

For the six months ended 30 June 2021, the Group's profit before taxation was approximately RMB4.7 million, representing a decrease of approximately RMB2.5 million from the profit before taxation of approximately RMB7.2 million in the corresponding period in 2020, which was mainly due to the increase in finance costs incurred by bank borrowings and the decrease in government subsidy income during the Period.

Income Tax

For the six months ended 30 June 2021, the Group's income tax expense was approximately RMB2.7 million, representing a decrease of approximately RMB0.2 million from the income tax expense of approximately RMB2.9 million in the corresponding period in 2020.

Profit for the Period

On the basis of the aforementioned reasons, for the six months ended 30 June 2021, the Group recorded the profit for the Period of approximately RMB2.1 million, representing a decrease of approximately RMB2.2 million from the profit for the Period of approximately RMB4.3 million in the corresponding period in 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL POSITION

Liquidity, Financial Resources and Capital Structure

For the six months ended 30 June 2021, the financial position of the Group remained stable. As at 30 June 2021, the total value of assets was approximately RMB1,027.9 million, representing an increase of approximately RMB361.1 million as compared to the total value of assets of approximately RMB666.8 million in the corresponding period in 2020. The Group's cash was mainly held for working capital and gas facilities and equipment needs.

As at 30 June 2021, the Group had approximately RMB399.0 million time deposits with financial institutions and approximately RMB76.4 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 RMB2.3 million for the six months ended 30 June 2021.

Borrowings

The Group's short-term borrowings as at 30 June 2021 and 31 December 2020 are summarised below:

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Secured	**555,597**	196,597

Gearing Ratio

The gearing ratio (calculated on the basis of the Group's total liabilities over total assets) was approximately 63.0% as at 30 June 2021 (31 December 2020: 43.1%). 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 2021, the Group had a total of 482 employees (including the staff of our joint venture, Jiangmen Xinjiang Gas) (at 30 June 2020: 539). 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 include 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 develop and maintain 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 2021, the Group had utilized approximately HK$63.7 million, representing approximately 53.0 % 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 2021** HK$ million	**Remaining balance as at 30 June 2021** 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 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	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	0	14.4	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	63.7	56.6[(5)]	

Notes:

1. Due to the impact of the Pandemic 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.

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

3. 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 2021, 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.

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 2021. 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 2021, the Group held unlisted equity securities of approximately RMB16.4 million, which was a supplemental means to improve utilisation of our cash on hand.

As at 9 April 2021, the Group, through Guangdong Sino Gas Investment Company Limited* (廣東中油潔能投資有限公司) ("**GD Investment**"), subscribed interests in the Guangzhou Qiande Education Consulting Partnership (Limited Partnership)* (廣州乾德教育諮詢合夥企業(有限合夥)) (the "**Partnership Fund**") in the amount of RMB20.0 million. For details, please refer to the announcement of the Company dated 9 April 2021.

Apart from the aforementioned disclosure, the Group had no definite future plans for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES OR JOINT VENTURES

As at 9 April 2021, the Group, through GD Investment, subscribed interests in the Partnership Fund the amount of RMB20.0 million. After the subscription, the Partnership Fund has become an associate of the Company. For details, please refer to announcement of the Company dated 9 April 2021.

For the six months ended 30 June 2021, apart from the aforementioned disclosure, 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 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 (the "**Claim**"). In 2020, the Group was awarded a judgement in favour of the Group and the Group was considered not liable for the Claim according to the judgement. As at the date of this report, the plaintiff is seeking an appeal on the judgement. The Directors do not consider it probable that the subsidiary will be found liable to the Claim and accordingly, no provision has been made as at 30 June 2021.

PLEDGE OF ASSETS

Included in cash at bank and on hand, RMB15,500,000 (2020: RMB45,500,000) was pledged as securities for the Group's bank loans at 30 June 2021. RMB7,550,000 were pledged as securities for the Group's foreign exchange forward contracts outstanding at 31 December 2020, and the foreign exchange forward contracts have expired in the first half of 2021.

As at 30 June 2021, time deposits with financial institutions of RMB399,000,000 (2020: Nil) and certificates of deposit of RMB70,000,000 (2020: RMB70,000,000) were pledged for one year as securities for the Group's bank loans.

As at 31 December 2020, a principal-guaranteed structured deposit product issued by a bank with principal amount of RMB50,000,000 and a maturity date on 16 June 2021 was pledged for one year as securities for the Group's bank loan.

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 2021, 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:

1. The letter "L" denotes to the person with long position in the shares.

2. The calculation is based on the total number of 216,000,000 shares in issue as at 30 June 2021.

3. 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 2021, 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 2021, 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:

1. The letter "L" denotes to the person with long position in the shares.

2. The calculation is based on the total number of 216,000,000 shares in issue as at 30 June 2021.

3. 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.

4. 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 2021, 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.

Maximum number of shares available for issue under the scheme	(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. (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).
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	An option may be accepted by a participant within 21 days from the date of the offer for the grant of the option. 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.
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 2021 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 2021, 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. Prior to 8 January 2021, Mr. Ji was the Chairman and Chief Executive Officer of the Company. To further enhance the corporate governance of the Group and comply with the code provision A.2.1 of the CG Code, with effect from 8 January 2021, Mr. Ji had ceased to act as the Chief Executive Officer and only continued as an executive Director and the Chairman of the Company while Ms. Ji Ling, the executive Director and Vice-Chairman, had been appointed as the Chief Executive Officer on the same day.

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 2021.

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 2021 and up to the date of this report are set out below:

Mr. Ji ceased to act as the Chief Executive Officer of the Group on 8 January 2021. He was appointed as a director of Sino Gas New Energy Investment Limited ("**HK New Energy**") on 3 February 2021.

Ms. Ji Ling was appointed as the Chief Executive Officer of the Group on 8 January 2021; appointed as a director of Guangzhou Sino Gas Fuel Chain Company Limited and Guangzhou Sino Gas Fuel Sales Company Limited on 9 March 2021 respectively; and appointed as a director of Guangdong Sino Gas Petrochemical Company Limited* (廣東中油潔能石化有限公司) ("**GD Petrochemical**") on 30 April 2021.

Ms. Cui Meijian was appointed as a director of Guangzhou Sino Gas Fuel Chain Company Limited and Guangzhou Sino Gas New Energy Investment Limited on 9 March 2021 respectively; appointed as a director of Sino Gas (Zhuhai) Limited on 17 May 2021; and resigned as a director of HK New Energy on 3 February 2021.

Mr. Zhou Feng resigned as the director of HK New Energy on 3 February 2021.

OTHER INFORMATION

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 2021.

DIVIDENDS

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2021.

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 2021 and this report, and agreed with the accounting principles and practices adopted by the Company.

EVENTS AFTER THE REPORTING PERIOD

As at 3 August 2021, GD Petrochemical, Henan Sino Gas Yonghui Natural Gas Company Limited* (河南中油潔能永輝天然氣有限公司) ("**Henan Yonghui**"), and Mr. Ji entered into the guarantee agreement with Agricultural Bank of China Co., Ltd. ("**Agricultural Bank of China**"), pursuant to which GD Petrochemical, Henan Yonghui and Mr. Ji agreed to provide the guarantee in favor of Agricultural Bank of China as security for the repayment obligations of Jiangmen Xinjiang Gas (a 50% jointly-controlled entity of the Company) in respect of the loan granted by Agricultural Bank of China. For details, please refer to the announcement of the Company dated 3 August 2021.

Save as disclosed in this report, there is no other significant event of the Group after 30 June 2021 and up to the date of this report.

By Order of the Board
Mr. Ji Guang
Chairman and Executive Director
Hong Kong, 30 August 2021

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021 — unaudited (Expressed in Renminbi ("RMB"))

	Note	Six months ended 30 June 2021 RMB'000	2020 RMB'000
Revenue	3	**761,521**	631,333
Cost of sales		**(712,369)**	(584,553)
Gross profit	3(b)	**49,152**	46,780
Other income	4	**9,249**	10,114
Staff costs	5(b)	**(18,224)**	(19,153)
Depreciation	5(c)	**(11,195)**	(10,998)
Operating lease charges	5(c)	**(637)**	(595)
(Impairment loss)/ reversal of impairment loss on trade and other receivables		**(282)**	92
Other operating expenses	5(d)	**(14,147)**	(14,510)
Profit from operations		**13,916**	11,730
Finance costs	5(a)	**(8,411)**	(3,471)
Share of loss of a joint venture		**(717)**	(1,091)
Share of loss of an associate		**(68)**	–
Profit before taxation		**4,720**	7,168
Income tax	6	**(2,661)**	(2,852)
Profit for the period		**2,059**	4,316
Attributable to:			
Equity shareholders of the Company		**4,034**	5,742
Non-controlling interests		**(1,975)**	(1,426)
Profit for the period		**2,059**	4,316
Earnings per share (RMB)			
— Basic and diluted	7	**0.02**	0.03

The notes on pages 26 to 40 form part of this interim financial report.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021 — unaudited (Expressed in RMB)

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Profit for the period	**2,059**	4,316
Other comprehensive income for the period (after tax):		
Items that may be reclassified subsequently to profit or loss:		
— Exchange differences on translation into presentation currency of the Group	**(1,335)**	2,660
Total comprehensive income for the period	**724**	6,976
Attributable to:		
Equity shareholders of the Company	**2,699**	8,402
Non-controlling interests	**(1,975)**	(1,426)
Total comprehensive income for the period	**724**	6,976

The notes on pages 26 to 40 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021 — unaudited (Expressed in RMB)

	Note	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Non-current assets			
Property, plant and equipment	8	**204,996**	214,635
Interest in a joint venture		**16,151**	16,868
Interest in an associate		**19,932**	–
Financial assets measured at fair value through profit or loss	16	**16,350**	3,350
Financial assets measured at amortised cost		**70,000**	70,000
Deferred tax assets		**10,026**	8,505
		337,455	313,358
Current assets			
Financial assets measured at fair value through profit or loss	16	**–**	50,960
Inventories		**4,535**	3,231
Trade receivables	9	**144,374**	117,940
Prepayments, deposits and other receivables	10	**59,741**	67,120
Income tax recoverable		**6,453**	4,834
Time deposits with financial institutions		**399,000**	–
Cash at bank and on hand	11	**76,389**	109,354
		690,492	353,439
Current liabilities			
Bank loans	12	**555,597**	196,597
Trade payables	13	**833**	1,546
Accrued expenses and other payables	14	**51,508**	42,834
Lease liabilities		**6,978**	7,301
Financial liabilities measured at fair value through profit or loss	16	**–**	2,958
		614,916	251,236
Net current assets		**75,576**	102,203
Total assets less current liabilities		**413,031**	415,561

The notes on pages 26 to 40 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

At 30 June 2021 — unaudited (Expressed in RMB)

	Note	**At 30 June 2021 RMB'000**	At 31 December 2020 RMB'000
Non-current liabilities			
Lease liabilities		**30,795**	34,308
Deferred tax liabilities		**1,734**	1,765
		32,529	36,073
NET ASSETS		**380,502**	379,488
CAPITAL AND RESERVES			
Share capital		**1,892**	1,892
Reserves		**350,826**	348,127
Total equity attributable to equity shareholders of the Company		**352,718**	350,019
Non-controlling interests		**27,784**	29,469
TOTAL EQUITY		**380,502**	379,488

The notes on pages 26 to 40 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021 — unaudited (Expressed in RMB)

	Attributable to equity shareholders of the Company								
	Share capital RMB'000	**Share premium** RMB'000	**Other reserve** RMB'000	**Statutory reserve** RMB'000	**Exchange reserve** RMB'000	**Retained profits** RMB'000	**Total** RMB'000	**Non-controlling interests** RMB'000	**Total** RMB'000
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 period 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
Balance at 1 January 2021	**1,892**	**173,360**	**(11,970)**	**44,999**	**(5,057)**	**146,795**	**350,019**	**29,469**	**379,488**
Changes in equity for the six months ended 30 June 2021:									
Profit for the period	**–**	**–**	**–**	**–**	**–**	**4,034**	**4,034**	**(1,975)**	**2,059**
Other comprehensive income for the period	**–**	**–**	**–**	**–**	**(1,335)**	**–**	**(1,335)**	**–**	**(1,335)**
Total comprehensive income	**–**	**–**	**–**	**–**	**(1,335)**	**4,034**	**2,699**	**(1,975)**	**724**
Capital injection of a non-controlling equity holder of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**290**	**290**
Balance at 30 June 2021	**1,892**	**173,360**	**(11,970)**	**44,999**	**(6,392)**	**150,829**	**352,718**	**27,784**	**380,502**

The notes on pages 26 to 40 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2021 — unaudited (Expressed in RMB)

		Six months ended 30 June	
	Note	**2021** **RMB'000**	2020 RMB'000
Net cash generated from/(used in) operating activities		**4,849**	(51,946)
Net cash (used in)/generated from investing activities		**(382,315)**	10,141
Net cash generated from/(used in) financing activities		**382,204**	(1,939)
Net increase/(decrease) in cash and cash equivalents		**4,738**	(43,744)
Cash and cash equivalents at 1 January	11	**56,304**	151,605
Effect of foreign exchange rate changes		**(153)**	113
Cash and cash equivalents at 30 June	11	**60,889**	107,974

The notes on pages 26 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

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("**IAS**") 34, *Interim financial reporting*, issued by the International Accounting Standard Board ("**IASB**"). It was authorised for issue on 30 August 2021.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 annual financial statements. Details of any 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 period to date basis. Actual results may differ from these estimates.

This interim financial report contains 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 2020 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("**IFRSs**").

(b) Changes in accounting policies

The IASB has issued the following amendments to IFRSs that are first effective for the current accounting period of the Group:

- Amendment to IFRS 16, *Covid-19-Related Rent Concessions beyond 30 June 2021*
- Amendment to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, *Interest rate benchmark reform — Phase 2*

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.

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

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

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products or service:		
— LPG	**614,024**	523,653
— CNG	**113,605**	74,232
— LNG	**29,310**	27,769
— Others	**4,582**	5,679
	761,521	631,333

(b) Segment reporting

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

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

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

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.

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, 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 2021 and 2020 is set out below.

	Retail		**Wholesale**		**Total**	
	For the six months ended 30 June					
	2021 RMB'000	2020 RMB'000	**2021 RMB'000**	2020 RMB'000	**2021 RMB'000**	2020 RMB'000
Revenue recognised at a point in time from external customers and reportable segment revenue	**124,096**	91,722	**637,425**	539,611	**761,521**	631,333
Reportable segment gross profit	**41,775**	29,351	**7,377**	17,429	**49,152**	46,780

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

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Total reportable segment gross profit	**49,152**	46,780
Other income	**9,249**	10,114
Staff costs	**(18,224)**	(19,153)
Depreciation	**(11,195)**	(10,998)
Operating lease charges	**(637)**	(595)
(Impairment loss)/reversal of impairment loss on trade and other receivables	**(282)**	92
Other operating expenses	**(14,147)**	(14,510)
Finance costs	**(8,411)**	(3,471)
Share of loss of a joint venture	**(717)**	(1,091)
Share of loss of an associate	**(68)**	–
Consolidated profit before taxation	**4,720**	7,168

(Expressed in RMB unless otherwise indicated)

4 OTHER INCOME

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Net gain on acquisition of control over a joint venture	**–**	2,656
Rental income from operating leases	**2,754**	1,799
Government grants	**–**	4,130
Interest income	**7,122**	435
Net loss on disposal of investments	**(1,449)**	–
Changes in fair value of other financial assets and liabilities measured at fair value through profit or loss	**–**	1,704
Net (loss)/gain on disposal of property, plant and equipment	**(1)**	768
Net foreign exchange gain/(loss)	**596**	(1,730)
Others	**227**	352
	9,249	10,114

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs:

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Interest on bank loans	**7,347**	2,302
Interest on lease liabilities	**1,064**	1,169
	8,411	3,471

(Expressed in RMB unless otherwise indicated)

5 PROFIT BEFORE TAXATION *(Continued)*

(b) Staff costs

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Salaries, wages, and other benefits	**17,119**	17,577
Define contribution retirement plan contributions	**1,105**	1,576
	18,224	19,153

(c) Other items

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Depreciation charge		
— owned property, plant and equipment	**7,445**	6,634
— right-of-use assets	**3,750**	4,364
Operating lease charges relating to short-term leases	**637**	595
Cost of inventories	**712,369**	584,553

(d) Other operating expenses

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Utilities expenses	**2,834**	2,670
Professional service fees	**1,697**	1,805
Maintenance expenses	**1,370**	2,292
Taxation other than income tax	**1,248**	746
Administrative expenses	**804**	1,212
Entertainment expenses	**791**	899
Transportation fees	**623**	768
Others	**4,780**	4,118
Other operating expenses	**14,147**	14,510

(Expressed in RMB unless otherwise indicated)

6 INCOME TAX

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Current tax		
Provision for the period	**4,762**	2,701
Deferred tax		
Origination and reversal of temporary differences	**(2,101)**	151
	2,661	2,852

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 2021 (six months ended 30 June 2020: 16.5%). These companies did not have assessable profits for the six months ended 30 June 2021 (six months ended 30 June 2020: 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 2021 (six months ended 30 June 2020: 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 RMB4,034,000 for the six months ended 30 June 2021 (six months ended 30 June 2020: RMB5,742,000) and the weighted average of 216,000,000 ordinary shares (six months ended 30 June 2020: 216,000,000 ordinary shares).

(b) Diluted earnings per share

There were no dilutive potential shares outstanding during the six months ended 30 June 2021 and 2020.

(Expressed in RMB unless otherwise indicated)

8 PROPERTY, PLANT AND EQUIPMENT

(a) Right-of-use assets

For the six months ended 30 June 2021, the additions to right-of-use assets were RMB Nil (six months ended 30 June 2020: RMB 5.4 million).

(b) Owned property, plant and equipment

For the six months ended 30 June 2021, the Group's additions to owned property, plant and equipment were approximately RMB2.3 million (six months ended 30 June 2020: approximately RMB21.1 million). Property, plant and equipment with a net carrying amount of approximately RMB15,000 were disposed during the six months ended 30 June 2021 (six months ended 30 June 2020: approximately RMB1.5 million), contributing to a loss on disposal of approximately RMB1,000 (six months ended 30 June 2020: a gain on disposal of approximately RMB0.8 million).

9 TRADE RECEIVABLES

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Trade receivables due from:		
— third parties	**109,158**	83,785
— related parties	**37,344**	36,001
	146,502	119,786
Less: loss allowance	**(2,128)**	(1,846)
Financial assets measured at amortised cost	**144,374**	117,940

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

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 2021 RMB'000	At 31 December 2020 RMB'000
Within 1 month	**108,032**	81,702
1 to 3 months	**17,553**	17,866
3 to 6 months	**18,244**	18,067
6 to 12 months	**545**	305
	144,374	117,940

10 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Value added tax recoverable	**8,755**	8,482
Prepayments for purchase of inventories	**33,604**	40,013
Advances to staff	**3,053**	3,885
Deposits for operating expenses	**1,043**	1,083
Loan granted to a third party	**12,036**	11,342
Others	**9,333**	10,398
	67,824	75,203
Less: loss allowance	**(8,083)**	(8,083)
	59,741	67,120

11 CASH AT BANK AND ON HAND

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Cash at bank and on hand	**60,889**	56,304
Pledged and restricted bank deposits (Note (i))	**15,500**	53,050
Cash at bank and on hand in the consolidated statement of financial position	**76,389**	109,354
Less: pledged and restricted bank deposits	**(15,500)**	(53,050)
Cash and cash equivalents in the consolidated cash flow statement	**60,889**	56,304

Notes:

(i) Included in pledged and restricted bank deposits, RMB15.5 million was pledged as securities for the Group's bank loans (see Note 12) at 30 June 2021.

(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

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

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Secured	**555,597**	196,597

(b) At 30 June 2021, the Group's short-term bank loans of RMB555,597,000 were secured by time deposits with financial institutions, certificates of deposit and bank deposits (see Note 11). At 31 December 2020, bank loans of RMB196,597,000 were secured by principal — guaranteed structured deposit product, certificates of deposit and bank deposits. Some of the Group's banking facilities are subject to the fulfilment of covenants commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. As at 30 June 2021 and at 31 December 2020, none of the covenants relating to the drawn down facilities had been breached.

(Expressed in RMB unless otherwise indicated)

13 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 2021 RMB'000	At 31 December 2020 RMB'000
Trade payables	**833**	1,546
Financial liabilities measured at amortised cost	**833**	1,546

All of the trade 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 payables, based on the invoice date, is as follows:

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Within 1 month	**431**	444
1 to 3 months	**241**	495
3 to 6 months	**161**	601
6 to 12 months	**–**	6
	833	1,546

14 ACCRUED EXPENSES AND OTHER PAYABLE

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Accrued transportation expenses	**18,125**	18,125
Payables for the purchase and construction of the property, plant and equipment	**1,852**	4,126
Payables for staff related costs	**2,125**	2,757
Other taxes payable	**1,346**	902
Others	**9,248**	6,912
Financial liabilities as measured at amortised cost	**32,696**	32,822
Contract liabilities — receipts in advance from customers	**18,812**	10,012
	51,508	42,834

15 DIVIDENDS

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: 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, categorised 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

(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 at 30 June 2021	Fair value measurements as at 30 June 2021 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurements				
Assets:				
Financial assets measured at fair value through profit or loss:				
— Unlisted equity securities	**16,350**	**–**	**–**	**16,350**

	Fair value at 31 December 2020	Fair value measurements at 31 December 2020 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurements				
Assets:				
Financial assets measured at fair value through profit or loss:				
— Unlisted equity securities	3,350	–	–	3,350
— Foreign exchange forward contracts	133	–	133	–
— Structural products	50,827	–	50,827	–
Liabilities:				
Financial liabilities measured at fair value through profit or loss:				
— Foreign exchange forward contracts	(2,958)	–	(2,958)	–

During the six months ended 30 June 2021, 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.

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 2021, 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:

	2021 **RMB'000**	2020 RMB'000
Unlisted equity securities:		
At 1 January	**3,350**	3,350
Acquisitions	**13,000**	–
At 30 June	**16,350**	3,350

(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 2021 and 31 December 2020.

(Expressed in RMB unless otherwise indicated)

17 COMMITMENTS

Capital commitments outstanding at 30 June 2021 not provided for in the interim financial report

	At 30 June 2021 RMB'000	At 31 December 2020 RMB'000
Commitments in respect of property, plant and equipment		
— Contracted for	**1,461**	1,925

18 CONTINGENT LIABILITIES

In 2019, a subsidiary of the Group has been claimed, as one of the co-defendants, to compensate for damages arising from debt disputes between the plaintiff and other third parties. The maximum exposure of the Group under the claims may amount to approximately RMB64.4 million (the "**Claim**"). In 2020, the Group was awarded a judgement in favour of the Group and the Group was considered not liable for the Claim according to the judgement. As at the date of this report, the plaintiff is seeking an appeal on the judgement. The Directors do not consider it probable that the subsidiary will be found liable to the Claim and accordingly, no provision has been made as at 30 June 2021.

19 MATERIAL RELATED PARTY TRANSACTIONS

The material related party transactions entered into by the Group during the six months ended 30 June 2021 are set out below.

	Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Sales of goods		
— A joint venture	**277,738**	280,213
Produce of goods		
— A joint venture	**–**	22
Provision of transportation services		
— A joint venture	**354**	389

20 IMPACT OF COVID-19 OUTBREAK

In the first half of 2021, the novel coronavirus ("**COVID-19**") pandemic has slightly eased but with its recurrent outbreaks, bringing about additional uncertainties in the present and future Group's operating environment and possibly impacting the Group's operations and financial position.

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

With regard to the Group's business, the COVID-19 has negatively affected the operation and caused the decrease in the demand for LPG, CNG and LNG, but the Directors consider that such impact could be temporary, and the Group's businesses will resume soon upon the cessation of the COVID-19. In addition, the COVID-19 may impact the cash flow forecasts, and also impact the repayment abilities of the Group's debtors, which in turn may result in additional impairment losses on property, plant and equipment attributable to gas refuelling stations and trade receivables in future periods. The possible impacts after the reporting period have not been reflected in this interim financial report, and the actual impacts may differ from estimates adopted in these financial statements as the COVID-19 situation continues to evolve and when further information may become available.