中油潔能

SINO GAS HOLDINGS GROUP LIMITED
中油潔能控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 1759)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS

Revenue during the year was approximately RMB1,220 million, increasing by 11.38 percent compared to last year, because of LPG, CNG, LNG sales had increased.

Due to the decline in sales of vehicle gas and the increase in the unit price of imported goods affected by fluctuations in international oil prices, the overall gross profit was approximately RMB181.16 million, a decrease of 16% from last year.

Excluding the impact of the non-recurring gains and losses (including the listing expenses of approximately RMB16.6 million), the profit for the year was approximately RMB57.6 million, a decrease of 31.6% compared with last year.

THE FINANCIAL STATEMENTS

The board (the "**Board**") of directors (the "**Directors**") of Sino Gas Holdings Group Limited (the "**Company**") hereby announces the consolidated results of the Company and its subsidiaries (collectively, the "**Group**", "**Our Group**", "**we**" or "**us**") for the year ended 31 December 2018, together with comparative figures for the year ended 31 December 2017, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2018
(Expressed in RMB)

	Note	2018 RMB'000	2017 RMB'000 (Note)
Revenue	3	**1,220,011**	1,095,339
Cost of sales		**(1,038,851)**	(879,680)
Gross profit		**181,160**	215,659
Other income	4	**7,556**	9,138
Staff costs	5(b)	**(43,502)**	(48,645)
Depreciation and amortisation	5(c)	**(13,316)**	(13,178)
Operating lease charges	5(c)	**(17,138)**	(15,100)
Other operating expenses		**(44,422)**	(27,894)
Profit from operations		**70,338**	119,980
Finance costs	5(a)	**(8,895)**	(5,474)
Share of profits/(losses) of joint ventures		**66**	(883)
Profit before taxation	5	**61,509**	113,623
Income tax	6	**(20,483)**	(29,381)
Profit for the year		**41,026**	84,242
Attributable to:			
Equity shareholders of the Company		**37,634**	82,250
Non-controlling interests		**3,392**	1,992
Profit for the year		**41,026**	84,242
Earnings per share (RMB)			
— Basic and diluted	7	**0.23**	0.51

Note: The Group has initially applied IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 2(c).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018
(Expressed in RMB)

	2018 *RMB'000*	2017 *RMB'000* *(Note)*
Profit for the year	**41,026**	84,242
Other comprehensive income for the year (after tax)		
Items that may be reclassified subsequently to profit or loss:		
— Exchange differences on translation into presentation currency of the Group	**76**	–
Total comprehensive income for the year	**41,102**	84,242
Attributable to:		
Equity shareholders of the Company	**37,710**	82,250
Non-controlling interests	**3,392**	1,992
Total comprehensive income for the year	**41,102**	84,242

Note: The Group has initially applied IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 2(c).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018
(Expressed in RMB)

	Note	**2018** **RMB'000**	2017 RMB'000 (Note)
Non-current assets			
Property, plant and equipment		**156,410**	127,020
Lease prepayments		**15,373**	11,184
Interests in joint ventures		**37,817**	37,036
Other financial assets		**13,700**	13,500
Deferred tax assets		**5,754**	5,102
		229,054	193,842
Current assets			
Inventories		**3,927**	3,687
Trade and bills receivables	*8*	**84,096**	94,730
Prepayments, deposits and other receivables		**165,264**	61,739
Amounts due from related parties		**–**	79,096
Cash at bank and on hand		**239,575**	157,501
		492,862	396,753
Current liabilities			
Bank loans		**275,233**	138,000
Trade and bills payables	*9*	**36,179**	41,080
Accrued expenses and other payables		**49,071**	46,739
Income tax payable		**3,029**	7,625
		363,512	233,444
Net current assets		**129,350**	163,309
NET ASSETS		**358,404**	357,151
CAPITAL AND RESERVES			
Share capital	*10*	**1,892**	–
Reserves		**318,588**	333,151
Total equity attributable to equity shareholders of the Company		**320,480**	333,151
Non-controlling interests		**37,924**	24,000
TOTAL EQUITY		**358,404**	357,151

Note: The Group has initially applied IFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated. See Note 2(c).

Approved and authorised for issue by the board of directors on 31 March 2019.

NOTES

(Expressed in RMB unless otherwise indicated)

1 CORPORATE INFORMATION

Sino Gas Holdings Group Limited 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 Group is principally engaged in the retail and wholesale of liquefied petroleum gas ("**LPG**"), compressed natural gas ("**CNG**") and liquefied natural gas ("**LNG**") in the People's Republic of China (the "**PRC**").

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2018 comprise the Group and the Group's interests in joint ventures.

Prior to the incorporation of the Company, the Group's business were conducted through Sino Gas (Zhuhai) Limited ("**ZH Petrochemical**") and its subsidiaries (together, the "**ZH Petrochemical Group**",) and the ZH Petrochemical Group's interests in joint ventures. Pursuant to a group reorganisation to rationalise the corporate structure in preparation of the listing of the Company's shares on the Stock Exchange which was completed on 11 June 2018 (the "**Reorganisation**"), the Company became the holding company of the companies now comprising the Group. All companies now comprising the Group that took part in the Reorganisation were controlled and beneficially owned by Mr. Ji Guang ("**Mr. Ji**") before and after the Reorganisation. The Reorganisation only involved inserting the newly formed entities with no substantive operations as the new holding companies of the companies now comprising the Group and there were no changes in the economic substance of the ownership and the business of the Group before and after the Reorganisation. Accordingly, the consolidated financial statements for the years ended 31 December 2018 and 2017 have been prepared and presented as a continuation of the financial information of the companies now comprising the Group with the assets and liabilities recognised and measured at their historical carrying amounts prior to the Reorganisation.

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

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

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

(c) Changes in accounting policies

The IASB has issued a number of new IFRSs and amendments to IFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

(i) IFRS 9, Financial instruments

(ii) IFRS 15, Revenue from contracts with customers

In preparation of the listing of the Company's shares on the Stock Exchange, the Group has early adopted IFRS 15, *Revenue from contracts with customers*, on a fully retrospective basis, and applied IFRS 15 consistently since 1 January 2017. The adoption of IFRS 15 does not have any material impact on the amount and timing of how the Group recognised revenue. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to IFRS 9, Prepayment features with negative compensation, which have been adopted at the same time as IFRS 9.

(i) IFRS 9, Financial instruments, including the amendments to IFRS 9, Prepayment features with negative compensation

IFRS 9 replaces IAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied IFRS 9, including the amendments to IFRS 9, *Prepayment features with negative compensation*, to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, the comparative information continues to be reported under IAS 39.

The following table summarises the impact of transition to IFRS 9 on retained earnings and the related tax impact at 1 January 2018.

	RMB'000
Retained earnings	
Recognition of additional expected credit losses on financial assets measured at amortised cost	135
Related tax	(34)
Net decrease in retained earnings at 1 January 2018	101

Further details of the nature and effect of the changes to previous accounting policies and the transaction approach are set out below:

a. Classification of financial assets and financial liabilities

IFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("**FVOCI**") and at fair value through profit or loss ("**FVPL**"). These supersede IAS 39's categories of held-to maturity investments, loans and receivables, available- for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under IFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

	IAS 39 carrying amount at 31 December 2017	**Reclassification**	**IFRS 9 carrying amount at 1 January 2018**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets measured at FVPL			
Equity securities not held for trading	–	13,500	13,500
Financial assets classified as available-for- sale under IAS 39			
Equity securities not held for trading	13,500	(13,500)	–

Under IAS 39, equity securities not held for trading were classified as available-for-sale financial assets. These equity securities are classified as at FVPL under IFRS 9.

The measurement categories for all financial liabilities remain the same, except for financial guarantee contracts. The carrying amounts for all financial liabilities (including financial guarantee contracts) at 1 January 2018 have not been impacted by the initial application of IFRS 9. The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 January 2018.

b. Credit losses

IFRS 9 replaces the "incurred loss" model in IAS 39 with the "expected credit loss" ("**ECL**") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" model in IAS 39.

The Group applies the new ECL model to financial assets measured at amortised cost (including cash and cash equivalents, and trade and other receivables), contract assets, lease receivables and financial guarantee contracts issued.

The following table reconciles the closing loss allowance determined in accordance with IAS 39 at 31 December 2017 with the opening loss allowance determined in accordance with IFRS 9 at 1 January 2018.

	RMB'000
Loss allowance at 31 December 2017 under IAS 39	–
Additional credit loss recognised at 1 January 2018 on trade receivables	135
Loss allowance at 1 January 2018 under IFRS 9	135

c. Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

— Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in retained earnings at 1 January 2018. Accordingly, the information presented for the year ended 31 December 2017 or at 31 December 2017 continues to be reported under IAS 39 and thus may not be comparable with the current period.

— The assessment on the determination of the business model within which a financial asset is held has been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of IFRS 9 by the Group).

— If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

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

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

Revenue from contracts with customers within the scope of IFRS 15	**2018** ***RMB'000***	2017 *RMB'000*
Disaggregated by major products:		
— LPG	**976,395**	895,935
— CNG	**212,784**	193,980
— LNG and others	**30,832**	5,424
	1,220,011	1,095,339

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

The Group's customer base is diversified and there is no customer with whom transactions have exceeded 10% of the Group's revenue for the year ended 31 December 2018. There is one customer with whom transactions have exceeded 10% of the Group's revenues for the year ended 31 December 2017 and the Group's revenue from sales of CNG to this customer amounted to approximately RMB122,864,000.

(b) Segment reporting

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

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

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

(i) Segment results, assets and liabilities

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

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

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

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2018 and 2017 is set out below.

	Retail		**Wholesale**		**Total**	
	2018	2017	**2018**	2017	**2018**	2017
	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	**482,655**	525,645	**737,356**	569,694	**1,220,011**	1,095,339
Reportable segment gross profit	**170,987**	204,464	**10,173**	11,195	**181,160**	215,659

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

	2018	2017
	RMB'000	*RMB'000*
Total reportable segment gross profit	**181,160**	215,659
Other income	**7,556**	9,138
Staff costs	**(43,502)**	(48,645)
Depreciation and amortisation	**(13,316)**	(13,178)
Operating lease charges	**(17,138)**	(15,100)
Other operating expenses	**(44,422)**	(27,894)
Finance costs	**(8,895)**	(5,474)
Share of profits/(losses) of joint ventures	**66**	(883)
Consolidated profit before taxation	**61,509**	113,623

4 OTHER INCOME

	2018	2017
	RMB'000	*RMB'000*
Government grants	**1,620**	3,736
Interest income	**1,779**	2,874
Rental income from operating leases	**2,422**	1,390
Net gain on disposal of property, plant and equipment	**113**	1,128
Net foreign exchange gain/(loss)	**68**	(271)
Consultancy service income	**943**	–
Others	**611**	281
	7,556	9,138

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived after charging:

(a) Finance costs:

	2018	2017
	RMB'000	*RMB'000*
Interests on bank loans	**8,895**	5,474

No borrowing costs have been capitalised during the year ended 31 December 2018 (2017: RMBNil).

(b) Staff costs:

	2018	2017
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**41,088**	45,481
Contributions to defined contribution retirement plans	**2,414**	3,164
	43,502	48,645

The employees of the subsidiaries of the Group established in the PRC (excluding Hong Kong) participate in defined contribution retirement benefit schemes managed by the local government authorities, whereby these subsidiaries are required to contribute to the schemes at a rate of 18% of the employees' basic salaries. Employees of these subsidiaries are entitled to retirement benefits, calculated based on a percentage of the average salaries level in the PRC (excluding Hong Kong), from the above mentioned retirement schemes at their normal retirement age.

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

(c) Other items:

	2018	2017
	RMB'000	*RMB'000*
Depreciation and amortisation	**13,316**	13,178
Operating lease charges in respect of buildings and properties, and land use rights	**17,138**	15,100
Auditors' remuneration:		
— annual audit services	**1,634**	219
— services in connection with the initial listing of the Company's shares	**2,153**	–
Impairment loss on trade receivables	**24**	–
Cost of inventories	**1,038,851**	879,680

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2018	2017
	RMB'000	*RMB'000*
Current tax		
Provision for PRC Corporate Income Tax for the year	**21,101**	26,629
Deferred tax		
Origination and reversal of temporary differences	**(618)**	2,752
	20,483	29,381

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

	2018	2017
	RMB'000	*RMB'000*
Profit before taxation	**61,509**	113,623
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	**16,208**	28,406
Tax effect of share of (profits)/losses of joint ventures	**(17)**	221
Tax effect of non-deductible expenses	**2,228**	416
Tax effect of tax losses not recognised	**2,064**	338
Actual tax expense	**20,483**	29,381

Notes:

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

(ii) The Company and the subsidiaries of the Group incorporated in Hong Kong are subject to Hong Kong Profits Tax rate of 16.5% for the year ended 31 December 2018 (2017: 16.5%). These companies did not have assessable profits which are subject to Hong Kong Profits Tax for the year ended 31 December 2018 (2017: Nil).

(iii) The Group's PRC subsidiaries (excluding Hong Kong) are subject to PRC Corporate Income Tax at a rate of 25% during the year ended 31 December 2018 (2017: 25%).

7 EARNINGS PER SHARE

(a) Basic earnings per share

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

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

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

The basic earnings per share for the year ended 31 December 2017 is calculated based on the profit attributable to equity shareholders of the Company of RMB82,250,000 and the weighted average of 162,000,000 ordinary shares, comprising 10,000 ordinary shares in issue as at the date of the Prospectus and 161,990,000 ordinary shares issued pursuant to the capitalisation issue on the completion of the initial public offering, as if the above total of 162,000,000 ordinary shares were outstanding throughout the year ended 31 December 2017.

The calculation of the weighted average number of ordinary shares for the years ended 31 December 2018 and 2017 are as follows:

	2018	2017
Issued ordinary shares at 1 January	**–**	–
Issuance of share upon incorporation of the Company	**1**	1
Issuance of shares prior to the initial listing of the Company's shares	**9,999**	9,999
Effect of capitalisation issue on the completion of the initial public offering	**161,990,000**	161,990,000
Effect of shares issued by initial public offering	**592,000**	–
Weighted average number of ordinary shares at 31 December	**162,592,000**	162,000,000

(b) Diluted earnings per share

There were no dilutive potential shares outstanding during the years ended 31 December 2018 and 2017.

8 TRADE AND BILLS RECEIVABLES

	31 December 2018 *RMB'000*	1 January 2018 *RMB'000*	31 December 2017 *RMB'000*
Trade receivables due from:			
— third parties	**66,658**	69,658	69,658
— related parties	**17,597**	9,902	9,902
	84,255	79,560	79,560
Less: loss allowance	**(159)**	(135)	–
	84,096	79,425	79,560
Bills receivables	**–**	15,170	15,170
Financial assets measured at amortised cost	**84,096**	94,595	94,730

Notes:

(i) Upon the adoption of IFRS 9, an opening adjustment at 1 January 2018 was made to recognise additional ECLs on trade receivables (see Note 2(c)(i)).

(ii) All of the trade and bills receivables, net of loss allowance, are expected to be recovered within one year.

Ageing analysis

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

	2018 *RMB'000*	2017 *RMB'000*
Within 1 month	**59,335**	66,160
1 to 3 months	**24,761**	28,570
	84,096	94,730

9 TRADE AND BILLS PAYABLES

	2018 *RMB'000*	2017 *RMB'000*
Trade payables	**679**	806
Bills payables	**35,500**	40,274
Financial liabilities measured at amortised cost	**36,179**	41,080

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

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

	2018 *RMB'000*	2017 *RMB'000*
Within 1 month	**35,874**	40,424
1 to 3 months	**305**	656
	36,179	41,080

10 CAPITAL, RESERVES AND DIVIDENDS/ DISTRIBUTIONS

(a) Dividends/ Distributions

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

The directors of the Company do not recommend the payment of a final dividend for the year ended 31 December 2018.

(ii) Distributions made in the previous financial year

ZH Petrochemical, a subsidiary of the Group, made distributions amounted to RMB175,000,000 to China Full Limited ("**China Full**"), the then equity holder of ZH Petrochemical during the year ended 31 December 2018.

(b) Share capital

	2018	
	No. of shares ***'000***	***HK$'000***
Authorised:		
Ordinary shares of HK$0.01 each *(Note (i))*	**2,000,000**	**20,000**

	2018	
	No. of shares ***'000***	***RMB'000***
Ordinary shares, issued and fully paid:		
As 26 March 2018 (date of incorporation)	**–**	**–**
Issuance of shares *(Note (ii))*	**10**	**–**
Capitalisation issue *(Note (iii))*	**161,990**	**1,419**
Issuance of shares by initial public offering *(Note (iv))*	**54,000**	**473**
	216,000	**1,892**

(i) Authorised share capital

On 26 March 2018, the Company's date of incorporation, the Company's authorised share capital was HK$380,000, comprising 38,000,000 ordinary shares of HK$0.01 each.

On 22 November 2018, the Company passed resolutions to increase the authorised share capital of the Company from HK$380,000 divided into 38,000,000 shares of HK$0.01 each to HK$20,000,000 divided into 2,000,000,000 shares of HK$0.01 each.

(ii) Issuance of shares

On 26 March 2018, one share in the Company was allotted and issued, credited as fully paid up.

On 11 June 2018, 9,999 shares of HK$0.01 each were allotted and issued by the Company for an aggregate subscription price of RMB52,000,000, credited as fully paid.

(iii) Capitalisation issue

Pursuant to the resolutions of the equity shareholders of the Company passed on 22 November 2018, the Company allotted and issued a total of 161,990,000 shares credited as fully to the equity shareholders whose names appeared on the register of members of the Company at the close of business on 22 November 2018 by way of capitalisation of the sum of HK$1,620,000 (equivalent to approximately RMB1,419,000) standing to the credit of the share premium account of the Company.

(iv) Issuance of shares by initial public offering

On 28 December 2018, 54,000,000 ordinary shares of HK$0.01 each were issued at a price of HK$2.80 each upon the listing of the shares of the Company on the Stock Exchange. The proceeds of HK$540,000 (equivalent to approximately RMB473,000), representing the par value, were credited to the Company's share capital. The remaining proceeds, net of share issuance expenses, of approximately HK$140,159,000 (equivalent to approximately RMB122,779,000) were credited to the share premium account.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

Looking back in 2018, the economy had been uncertain with the China-US trade disputes and the volatile global stock market. Nevertheless, the economy of PRC remained strong. China's annual GDP grew by 6.6% when compared to last year, meeting the development target of around 6.5%. The total gross domestic product exceeds RMB90 trillion, making PRC the second largest economy after the United States. Amidst the moderately prosperous economy of PRC, the demand for energy has continued to increase. According to the "China Energy and Chemical Industry Development Report" (中國能源化工產業發展報告) announced by the Economics and Technology Research Institute of China Petrochemical Corporation (中國石化集團經濟技術研究院) on 20 December 2018, the national natural gas consumption would reach 277 billion cubic meters, which is an increase of 40 billion cubic meters. This represents an increase of 17% which accounted for about 8% of primary energy consumption and is higher than its expected growth. In terms of LPG, domestic LPG production in 2018 was about 39 million tons, approximately 5.2% higher than that of 2017. As of October 2018, PRC's total LPG imports were 16.28 million tons, representing an increase of 5.92% over the same period in 2017. In October 2018, imports of LPG already exceeded 2 million tons.

Inspired by the thorough research and analysis on the natural gas market, the Group conducted during the year 2018, the Group unceasingly adjusts our business strategies according to the market condition and the industry trends. Benefited by the supportive national policy, the market for natural gas is experiencing an evolving age. Grabbing hold of this golden opportunity, the natural gas business is one of the focal points of the development of our Group. Meanwhile, for the LPG business, the consumption of LPG for residential and industrial use is emerging in parallel with the gradual establishment and development of Greater Bay Area of Guangdong, Hong Kong and Macao and its growing population in this area.

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, Henan Province and Jiangxi Province with over 13 years of proven track records in the industry.

For the year ended 31 December 2018, the Group has recorded revenue approximately RMB1,220 million, representing an increase of RMB124.7 million from RMB1,095.3 million in 2017. The increase was mainly attributable to the increase of revenue from the LPG, CNG and LNG businesses during the year.

On 28 December 2018, the ordinary shares of the Company were listed on the Main Board of the Stock Exchange by way of global offer shares and completed the share offer of its 54,000,000 ordinary shares, comprising 5,400,000 public offer and 48,600,000 international placing shares, with a par value of HK$0.01 each at an offer price of HK$2.80 per Share (the "**Listing of Shares**"). The net proceeds from the Listing of Shares after deducting the underwriting commission and related listing expenses payable by the Company, is estimated to be approximately HK$120.3 million. The Company believes that the Listing will allow the Group to access the capital market for raising funds in the future. Since the shares of the Company were listed on 28 December 2018, no material progress has been made in respect of the business objectives as set out in the Prospectus, for the period from the latest practical date as defined in the Prospectus, and up to 31 December 2018.

(1) LPG Business

LPG could be used as vehicle fuel but is also commonly used as fuel sources for cooking or heating appliances. As at 31 December 2018, the Group had 6 LPG vehicular refuelling stations, 2 LPG domestic stations in Guangdong Province and 1 LPG domestic station in Ganzhou City, Jiangxi Province. There was also a LPG terminal with storage facilities located in Guangdong Province.

Our Group possesses a comprehensive business model in our LPG business. Our upstream procurement of LPG consist of large scale LPG domestic gas suppliers with their own terminal and storage which mainly import LPG from overseas, and domestic petrochemical refineries. Our intermediary logistics of LPG include two modes of transporting LPG, one being using our own logistics fleet to transport LPG by using vehicles, and one being using gas carrier ships designated for LPG use. By adopting the two modes of transport, it enables the Company to select from a bigger range of upstream suppliers in different regions and enhance our bargaining power as we are not constrained by distance when choosing our suppliers. With these logistic arrangements, the Group is able to provide LPG to our customers including LPG vehicular refuelling stations and LPG domestic stations, and our customers consist of retail and wholesale customers.

The Group had 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, together with the experience and customers' recognition as well as the reputation that Group built up. During the year ended 31 December 2018, the wholesale business of LPG was gradually improving and achieved outstanding results.

(2) CNG Business

According to the Report issued by Forst & Sullivan (Beijing) Inc, Shanghai Branch Co., CNG is the most widely used natural gas fuel of vehicles in China due to its lower cost to produce. As CNG is still in gas form, it occupies greater volume (vis-a-vis LNG), and owing to its lower reduction in volume, usage of CNG is more often found in short distance vehicles, such as local buses, taxis and private vehicles. As at 31 December 2018, we had 12 CNG vehicular refuelling stations and 2 CNG Mother Stations in Henan Province.

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

During the year ended 31 December 2018, benefited from the supportive national policy of the 13th Five-Year plan for natural gas development (天然氣發展「十三五」規劃), as well as the increasing demand and social consciousness for clean energy, the CNG business maintained a steady growth.

(3) LNG Business

The LNG refuelling market in China is still in the emerging stage due to its relatively high cost to process, liquefy and store compared with CNG. Nevertheless, as LNG will be processed into liquid hence occupying smaller volume than CNG, transportation of LNG in bulk is significantly easier than that of CNG. LNG could be converted back to its gas state when vapourised to become CNG. LNG fuel is mainly developed and promoted in Southern China and coastal areas. As at 31 December 2018, we had 1 LNG vehicular refuelling station in Guangdong Province.

For our LNG business model, the Group possesses a strong upstream procurement supplier of 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 station and to our wholesale customers. Meanwhile, the downstream portfolio consists of a LNG vehicular refuelling station, and our customers consist of retail and wholesale customers.

During the year ended 31 December 2018, being backed up with the PRC government policies including Changing Fuels from Coal to Gas Policy (煤改氣政策) and the Notice on Opinion of Accelerating and Advancing the Utilization of Natural Gas (加快推進天然氣利用的意見), the market for LNG vehicles specifically LNG trucks has been explosively expanding which created rocketing demand for LNG in especially industrial, power generation sectors. This contributed to the outstanding sales results of LNG business and cemented a solid foundation for the accelerating growth of the LNG business.

As at 31 December 2018, the number of our stations in operation are set out below:

	As at 31 December 2018	As at 31 December 2017
LPG station	**9**	9
CNG station	**12**	12
LNG station	**1**	1
Subtotal	**22**	22
CNG Mother Station	**2**	2
Total	**24**	24

Meanwhile, as at 31 December 2018, the breakdown of the stations in operation by cities and provinces are set out below:

City, Province	**LPG**	**LNG**	**CNG**	**Total number of stations**
Guangzhou, Guangdong Province	6	1	0	7
Jiangmen, Guangdong Province	2[(1)]	0	0	2
Total number of stations in Guangdong Provinces	**8**	**1**	**0**	**9**
Ganzhou, Jiangxi Province	1	0	0	1
Total number of stations in Jiangxi Province	**1**	**0**	**0**	**1**
Xinyang, Henan Province	0	0	1[(2)]	1[(2)]
Zhengzhou, Henan Province	0	0	8	8
Zhumadian, Henan Province	0	0	3[(3)]	3[(3)]
Xinzheng, Henan Province[(4)]	0	0	2[(5)]	2[(5)]
Total number of stations in Henan Province	**0**	**0**	**14**	**14**
Total	**9**	**1**	**14**	**24**

Notes:

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

2. The CNG vehicular refuelling stations are owned by the jointly controlled entity Henan Blue Sky Sino Gas Technology Company Limited (河南藍天中油潔能科技有限公司) ("**Henan Blue Sky**") which is one of our jointly controlled entities and is not our subsidiary.

3. It encompasses one CNG Mother Station and two CNG vehicular refuelling stations in Zhumadian City, Henan Province, which are owned by the jointly controlled entity Henan Blue Sky.

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

5. It also encompasses one CNG Mother Station in Xinzheng City, Henan Province.

As at 31 December 2018 and as at the date of this announcement, we operate a total of 24 stations. Amongst the vehicular refuelling stations and domestic stations, 17 are our self-owned stations and 5 are jointly-owned stations. One CNG Mother Station is wholly-owned and one CNG Mother Station is jointly-owned.

The revenue by our product mix for the years ended 31 December 2018 and 2017 are summarized as below:

	For the year ended 31 December 2018			For the year ended 31 December 2017		
	Sales Volume *(Note)*	**Revenue** *(RMB'000)*	**Percentage of revenue** *(%)*	Sales Volume *(Note)*	Revenue *(RMB'000)*	Percentage of revenue *(%)*
Retail						
LPG	**45,175**	**276,880**	**22.7%**	55,421	330,898	30.2%
CNG	**62.5**	**202,489**	**16.7%**	62.7	192,318	17.6%
LNG	**656**	**3,286**	**0.3%**	543	2,429	0.2%
Sub-total		**482,655**	**39.7%**		525,645	48.0%
Wholesale						
LPG	**178,301**	**699,515**	**57.3%**	157,762	565,037	51.6%
CNG	**3.9**	**10,295**	**0.8%**	0.6	1,662	0.2%
LNG	**5,327**	**22,405**	**1.8%**	61	273	0.0%
Sub-total		**732,215**	**59.9%**		566,972	51.8%
Logistic service		**5,141**	**0.4%**		2,722	0.2%
Total		**1,220,011**	**100%**		1,095,339	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 Company being successfully listed in 2018, not only did it enable the Group to step into an arena to be a well-known and reputable brand in the PRC, Hong Kong and even the international markets, it also equipped the Group with resources and capital to put forward our corporate expansion plan and maintain our sustainable developments for the long run.

Going forward, the Group insists on strengthening the industrial chain that emphasizes to refine our major businesses in LPG, LNG and CNG to provide high quality services and products to our customers, with the focal point in the developments of the terminals as we believe that the end-user market has high potential and possibly brings the Group with relatively higher profits.

With our objective to have a complete industry chain development, in the year to come, we shall persistently enhance our infrastructure in upstream procurement, logistic and downstream distribution arrangements. In our LPG retail business, we plan to acquire operational rights of a LPG domestic station to further exploring our footprints in the LPG retail business. Meanwhile, with the vision to expand our scale of sales, the Group shall upgrade the terminal and additional storage capacity of LGP in order to satisfy the demand of our end-users. As for CNG upstream development, with the same objective to meet the mounting demand of CNG, the Group shall pursue vertical integration opportunities in developing new CNG and L-CNG vehicular refuelling stations and CNG Mother Station to strengthen our market position and enhance our competitiveness.

For the logistic arrangements, the Group will ensure stable supply transportation system by further enhancing our logistics services capacity and expanding our vehicles fleet.

For the downstream arrangements, we shall complete our construction of new stations and purchase the requisite equipment and machineries for new stations as well as to maintain our existing stations so that we can strengthen our sales and explore new markets and networks in the residential as well as the industrial markets.

Supported by the favorable government policies, with the Company being successfully listed in 2018, and leveraging on our established presence in Guangdong Province, Henan Province and Jiangxi Province with a complete industry chain which includes the integrated supply logistic chain of our Group, stable relationship with our suppliers and major customers, our experienced and stable professional management team, and the hard work that our Group had laid throughout the years, we believe that it is time for the Group to penetrate more into the existing markets of the Group and explore for new business opportunities to create benefits for the Company and our shareholders.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2018, the Group has recorded revenue approximately RMB1,220.0 million of, representing an increase of RMB124.7 million from RMB1,095.3 million in 2017. The increase was mainly attributable to the increase of revenue from the LPG, CNG and LNG businesses during the year.

	2018	2017
Revenue from contracts with customers within the scope of IFRS 15	***RMB'000***	*RMB'000*
LPG	**976,395**	895,935
CNG	**212,784**	193,980
LNG and others	**30,832**	5,424
	1,220,011	1,095,339

Cost of Sales and Gross Profit

Our cost of sales primarily consisted of all costs of procuring LPG, CNG and LNG from our suppliers and logistic services provided for transporting gases. Our cost of sales increased by approximately RMB159.2 million from approximately RMB879.7 million in 2017 to approximately RMB1,038.9 million in 2018, which was mainly due to the rise in international oil prices and the increase in sales of LPG and natural gas.

For the year ended 31 December 2018, the gross profit of the Group was approximately RMB181.2 million, representing a decrease of approximately RMB34.5 million compared to approximately RMB215.7 million in 2017. The decrease in gross margin is due to the increase in procurement costs caused by the rise in international oil prices, and the failure of our sales price to rise in line with the international oil prices which leads to a reduction in our price spreads.

Other income

For the year ended 31 December 2018, the Group's other income was approximately RMB7.6 million, representing a decrease of approximately RMB1.5 million from the Group's other income of approximately RMB9.1 million in 2017. This was mainly due to changes in the subsidy policy of Zhuhai Free Trade Zone, and the government subsidies received by the Group decreased.

Staff costs

For the year ended 31 December 2018, the Group's staff costs were approximately RMB43.5 million, representing a decrease of approximately RMB5.1 million from the Group's staff costs of approximately RMB48.6 million in 2017. This was mainly due to the decrease in the number of employees of the Group and the decrease in employee bonuses compared to 2017.

Operating lease charges

For the year ended 31 December 2018, the operating lease cost of the Group was approximately RMB17.1 million, representing an increase of approximately RMB2 million from the Group's approximately RMB15.1 million in 2017. This was mainly due to the increase of the leased land's unit price of the stations operated by the Group in 2018.

Other operating expenses

For the year ended 31 December 2018, the Group's other operating expenses were approximately RMB44.4 million, representing an increase of approximately RMB16.5 million from the Group's other operating expenses of approximately RMB27.9 million in 2017. This increase was mainly due to the fact that the Company's listing expenses in 2018 were approximately RMB16.6 million.

Finance costs

For the year ended 31 December 2018, the Group's finance costs were approximately RMB8.9 million, representing an increase of approximately RMB3.4 million compared to the Group's approximately RMB5.5 million in 2017. This increase was mainly due to the Group's increase in the amount of bank borrowings in 2018, and the tightening of credit policy in 2018 which led to an increase in the banks' interest rates.

Profit before taxation

The Group's profit before taxation was approximately RMB61.5 million, representing a decrease of approximately RMB52.1 million from the profit before taxation of approximately RMB113.6 million in 2017.

Income tax

For the year ended 31 December 2018, the Group's income tax expense was approximately RMB20.5 million, representing a decrease of RMB8.9 million compared to the income tax of approximately RMB29.4 million in 2017.

Profit for the Year

For the year ended 31 December 2018, the Group achieved a net profit of approximately RMB41.0 million, representing a decrease of approximately RMB43.2 million from the Group's net profit of approximately RMB84.2 million in 2017.

FINANCIAL POSITION

Liquidity, Financial Resources and Capital Structure

For the year ended 31 December 2018, the financial position of the Group remained stable. The total value of the assets was approximately RMB721.9 million, an increase of RMB131.3 million compared to the total value of assets of approximately RMB590.6 million in 2017. The Group's cash is mainly used for working capital and investment site construction needs.

As at 31 December 2018, the Group had approximately RMB239.6 million in cash and bank balances.

On 28 December 2018, the ordinary shares of the Company were listed on the Main Board of the Stock Exchange by way of global offer and completed the share offer of its 54,000,000 ordinary shares, comprising 5,400,000 public offer shares and 48,600,000 international placing shares, with a par value of HK$0.01 each at an offer price of HK$2.80 per Share (the "**Listing of Shares**"). The net proceeds from the Listing of shares after deducting the underwriting commission and related listing expenses payable by the Company, are estimated to be approximately HK$120.3 million. The Company believes that the Listing will allow the Group to access the capital market for raising funds in the future.

Capital Expenditure

The Group purchased property, plant and equipment amounting approximately RMB46.2 million for the year ended 31 December 2018.

Borrowings

The Group's short-term borrowings as at 31 December 2018 and 2017 are summarised below:

	2018	2017
	RMB'000	*RMB'000*
Unsecured and unguaranteed	**146,000**	138,000
Secured by bank deposits of the Group	**129,233**	–
	275,233	138,000

Final Dividend

During the first half of 2018, ZH Petrochemical, a subsidiary of our Group declared RMB175.0 million as distributions to China Full Limited, the then equity holder of ZH Petrochemical, part of which were settled by netting off against the amount due from shareholders, and the remaining portion of approximately RMB99.4 million has been settled by cash prior to the Listing.

Save as disclosed above, the Board has resolved not to declare the payment of a final dividend for the year ended 31 December 2018.

Employees and Remuneration Policies

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

Use of Proceeds from the Listing

On 28 December 2018, the shares of the Company were listed on the Main Board of the Stock Exchange by way of global offer. The Group intends to apply the proceeds from the Listing in accordance with the proposed applications set out in the section headed "Future Plans and Use of Proceeds"in the Prospectus.

As set out in the Prospectus, the Group intends to further penetrate the LPG wholesale market in Guangdong Province in order to achieve the following business objectives: (1) benefit from the growth of LPG sales of our wholesale customers in view of the sustainable growth of industrial and residential LPG market; (2) build up our relationship and network with various domestic stations operators in Guangdong Province for our potential vertical expansion, reach more end customers and further pave a solid foundation for our Group to further expand into LPG domestic stations market; and (3) further strengthen our bargaining power with our suppliers as a result of our further increased purchase volume such that the Group could continue to secure long-term cooperation with our suppliers at competitive terms going forward.

After deduction of all related listing expenses and commissions, the net proceeds from the Listing amounted to approximately HK$120.3 million. Up to 31 December 2018, the Group has utilized the net proceeds from Listing as follows:

Intended use of proceeds	**Net proceeds raised from the Listing**	**Actual use of net proceeds up to 31 December 2018**	**Unutilized use of net proceeds up to 31 December 2018**
acquire operational rights of a LPG domestic station	HK$20.5 million	0	HK$20.5 million
strengthen our LPG logistics and storage capacity by constructing storage facilities	HK$21.7 million	0	HK$21.7 million
complete construction, purchase land, equipment and machineries and their installation for the new CNG Mother Station	HK$27.7 million	0	HK$27.7 million
construction of new stations, purchase and installation of their requisite equipment and machineries and maintenance of our existing stations	HK$24.1 million	0	HK$24.1 million
increase our logistics capacity by purchasing additional vehicle fleets	HK$14.4 million	0	HK$14.4 million
general working capital	HK$12.0 million	0	HK$12.0 million
Total	HK$120.3 million	0	HK$120.3 million

FOREIGN EXCHANGE EXPOSURE

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

As at 31 December 2018, the proceeds received from the listing were denominated in HKD. Therefore, the foreign exchange risk assumed by us primarily arises from movements in the HKD and RMB exchange rates. During the year of 2018, the Group did not experience any significant difficulties in or impacts on its operations or liquidity due to fluctuations in currency exchange rates. However, future exchange rates of RMB could vary significantly from the current and historical exchange rates as a result of changes in China's political and economic conditions. The management will continue to monitor the foreign exchange exposure, and take prudent measures to reduce foreign exchange risks.

TREASURY POLICIES

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the year ended 31 December 2018. 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 our Board, and monitoring the investments on a continuous basis.

SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 31 December 2018, the Group held available-for-sale financial assets amounting RMB13.7 million, as a supplemental means to improve utilization of our cash on hand. The Group had no definite future plans for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES,ASSOCIATES OR JOINT VENTURES

Save as disclosed in the Prospectus, there were no material acquisitions and disposals of subsidiaries or joint ventures during the year ended 31 December 2018.

COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2018, the Group had operating lease commitments of approximately RMB68 million and capital commitments of approximately RMB17.6 million respectively. The Group had no other significant commitments and contingent liabilities as at 31 December 2018.

ANNUAL GENERAL MEETING

The annual general meeting will be held on Thursday, 6 June 2019 ("**2019 AGM**"). Notice of the 2019 AGM and all other relevant documents will be published and despatched to shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders who are eligible to attend and vote at the 2019 AGM, the register of members of the Company will be closed from Monday, 3 June 2019 to Thursday, 6 June 2019, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2019 AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 31 May 2019 for registration.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities throughout the period from the Listing Date to 31 December 2018.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Our Directors recognize the importance of incorporating elements of corporate governance in the management structures and internal control of our Group in order to achieve accountability. Our Company has applied the principles stated in the Corporate Governance Code set out in Appendix 14 to the Listing Rules (the "**CG Code**"). Our Board has a balanced composition of executive Directors and independent non-executive Directors ("**INEDs**"), allowing the Board to effectively exercise independent judgment.

As the Company's shares were listed on the Stock Exchange on 28 December 2018, the CG Code was not applicable to the Company throughout the year. During the period from the Listing Date to the date of this announcement, the Company has complied with all the applicable code provisions as set out in the CG Code, except for code provisions A.1.8 and A.2.1.

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

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Code of Conduct throughout the period from the Listing Date to 31 December 2018.

The Company has also established written guidelines (the "**Employees Written Guidelines**") no less exacting than the Code of Conduct for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

REVIEW OF CONSOLIDATED ANNUAL RESULTS BY THE AUDIT COMMITTEE

Pursuant to the requirements of the CG Code and the Listing Rules, the Company has established an audit committee (the "**Audit Committee**") comprising of three independent non-executive Directors, namely Dr. Zheng Jian Peng (Chairman), Mr. Wang Zhonghua and Mr. Sheng Yuhong. The Audit Committee has reviewed with the management the accounting principles and practice adopted by the Group and the consolidated financial statements of the Group for the year ended 31 December 2018. There were no disagreements from the Audit Committee or the external auditors on the accounting policies adopted by the Company.

SCOPE OF WORK OF KPMG

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

SUFFICIENCY OF PUBLIC FLOAT

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

SIGNIFICANT EVENT AFTER REPORTING PERIOD

As at the date of this announcement, there is no significant event of the Company after the year ended 31 December 2018.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.sinogasholdings.com). The 2018 annual report containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and made available on the above websites in due course.

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

Hong Kong, 31 March 2019

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

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

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